



KENTUCKY  
**Council**  
on postsecondary education

**2004-06  
BUDGET  
RECOMMENDATION**

**Council on  
Postsecondary Education**

November 3, 2003

# ***2004-06 Budget Recommendation***

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# Operating and Capital Budget Request Summary



Council on Postsecondary Education  
November 3, 2003

## 2004-06 Operating and Capital Budget Request

*This funding recommendation reflects the success of the first six years of postsecondary education reform and the need to maintain Kentucky's momentum. The Council staff recommends, among other things, increases to the bases of the institutions to help pay for the over 42,000 additional students on Kentucky's campuses and provide the institutions with the resources they need to help their students be successful and graduate. The Council staff also recommends funds to expand adult education programs for Kentuckians who need more education and better work skills and to help the colleges and universities absorb the tens of thousands of Kentuckians who need postsecondary education but are not yet on campus. The recommendation also reflects the necessity of building an even better workforce and constructing the economic infrastructure necessary for Kentucky to compete in a knowledge economy driven by ideas and technological advances.*

*The Council staff's recommendation is an acknowledgement of Kentucky's success so far and a recognition of the significant challenges that lie ahead.*

**Council Action:**

- Approve the 2004-06 Operating and Capital Budget Recommendation as presented herein which totals \$1,094,154,419 for 2004-05 and \$1,207,267,421 for 2005-06 in recurring funding for the universities, the Kentucky Community and Technical College System, Lexington Community College, the Strategic Investment and Incentive Trust Funds, and the Council on Postsecondary Education, including the KYVU and KYVL, Adult Education, and pass-through programs, and in addition, \$61 million in non-recurring funding for the Endowment Match Program.

### **SUMMARY OF BUDGET RECOMMENDATIONS:**

The details of the request are summarized on the Purple Card (inserted) and are further explained in attachments A-D. The increases in General Funds requested are summarized in the following table:

<b>Description</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>
Benchmark Funding Special Initiatives (See Attachment A and A1 for the details.)	\$60,969,119 213,300	\$49,468,402 2,713,300
Strategic Trust Funds (See Attachment B for details.)	3,038,500	23,400,000
Physical Facilities Trust Fund (See Attachment C for the details.)	569,100	36,085,000
Council on Postsecondary Education (Including pass-through, see Attachment D for the details.)	\$985,100	1,446,300
Endowment Match Program (Non-recurring funds - details are included in Attachment B.)		\$61,000,000

The total operating request represents a net increase of \$65,775,119 or 6.4 percent, in 2004-05 and \$113,113,002 or 10.3 percent, in 2005-06 for recurring state General Funds (excluding Lung Cancer/Ovarian Cancer Research, which is funded by Tobacco Settlement Funds; need-based financial aid, which is administered by KHEAA; and Student Financial Aid and Advancement Trust Fund-KEES, which is funded by lottery proceeds); and the UofL Off Campus Teaching Center at the Trover Clinic Foundation, which is funded by coal severance tax revenues. In addition, the request represents a \$61 million increase (Endowment Match Program) in non-recurring state General Funds in FY 2005-06.

### **THE LINK BETWEEN FUNDING AND REFORM:**

The above described budget request recommends funding needed to address postsecondary education reform for the next biennium. There is a necessary link between funding and reform; reform efforts will stall without adequate funding. Highlights of the major components of the Council's funding recommendation that directly promote continued progress as measured by the five reform questions are as follows:

- (Q1) Are more Kentuckians ready for postsecondary education?
- (Q2) Are more students enrolling?
- (Q3) Are more students advancing through the system?
- (Q4) Are we preparing Kentuckians for life and work?
- (Q5) Are Kentucky's communities and economy benefiting?

<b>Major Components</b>	<b>(Q1)</b>	<b>(Q2)</b>	<b>(Q3)</b>	<b>(Q4)</b>	<b>(Q5)</b>
Adult Education operations – fieldwork	X	X			
Academy of Math & Science – special initiative	X	X			
Benchmark funding for institutions	X	X	X	X	X
Collaborative Research UK and UofL (Bioinformatics/Pharmacogenomics)					X
Early Math Testing Program	X				
Endowment Match Program				X	X
Enrollment growth and productivity	X	X	X		
Enrollment stability (KSU) – special initiative		X	X		
Homeland Security special initiative				X	X
Minority Student College Preparation Program	X	X			
P-16 Councils	X				
Regional stewardship (RUETF)					X
Research agenda (UK and UofL research space/capital request/research support)					X
Statewide engineering and rural innovation					X
SREB Doctoral Scholars Program		X	X	X	
Technology infrastructure (KPEN)	X	X	X	X	X
Workforce Development Trust Fund				X	X

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# Operating Budget Recommendation

## Attachment A



Council on Postsecondary Education  
November 3, 2003

## 2004-06 Operating Budget Recommendation

Table A-1 details each institution's funding recommendation. The total amount of General Funds requested for the institutions for base funding in FY 2004-05 is \$1.043 million and \$1.092 million in FY 2005-06. A summary of the recommended institutional operating increases is detailed in the following table:

<b><i>Description</i></b>	<b><i>FY 2004-05</i></b>	<b><i>FY 2005-06</i></b>
Benchmark funding and Inflationary increases	\$47,754,717	\$47,762,817
Special Initiatives	213,300	2,713,300
Estimated base adjustments (These are expected to change and will be updated to reflect revisions.)	13,214,402	1,705,585
TOTAL distribution to institutions for Base Funding	\$61,182,419	\$52,181,702

### ***Benchmark Funding***

The current benchmark funding model used to develop the recommendation was first used by the Council in the 2000-02 biennium. The model was developed in cooperation with the institutions and the executive and legislative branches; it calculates funding need based on General Funds per FTE student relative to a set of peer institutions. The peer institutions are selected for each Kentucky institution based on a statistical analysis of similarity using agreed upon criteria, as well as consultation with the institutions. Each institution was allowed to request minor modifications to their benchmark list and some of those changes were approved at the July Council meeting. In addition, institutional distribution was held to a 10 percent increase on the General Fund base appropriation (minus research, public service, and debt service) and a three-biennia phase-in; this calculation was 8 percent with a two biennia phase-in for 2002-04. For institutions with a negative funding need (KSU), a minimum of 2 percent increase was recommended, the same as was used last biennium.

***Special Initiative Funding Program***

The staff recommends five special programs to advance statewide reform, totaling \$213,300 in FY 2004-05 and an additional \$2,713,300 in FY 2005-06. These programs are as follows (Attachment A-1 provides more details):

<b><i>Special Initiative</i></b>	<b><i>FY 2004-05</i></b>	<b><i>FY2005-06</i></b>
Cancer Research Using Pharmacogenomics (UK, collaborative with UofL)		\$500,000
Multidisciplinary Approach in Bioinformatics (UofL, collaborative with UK)		\$500,000
Homeland Security (KCTCS in collaboration with public universities)		\$1,000,000
Kentucky Academy of Math and Science (WKU, statewide effort)		\$500,000
KSU Enrollment Stabilization Program (based on Baker-Hostetler report)	\$213,300	\$213,300
<b>TOTAL</b>	<b>\$213,300</b>	<b>\$2,713,300</b>

***Debt Service and Mandated Programs***

State funds for debt service and mandated public service and research programs having no student enrollment or instructional function have been deducted from the state support amounts at the benchmark and Kentucky institutions.

***Tuition and Fees Revenue Standard Deduction***

In May 2003, the Council established a standard tuition and fees revenue deduction of 37 percent for the public universities, excluding Kentucky State University. For the KCTCS, KSU, and Lexington Community College the standard deduction is 30 percent. The standard or budgeted tuition and fees revenue, whichever was lower, was deducted from the public funds amount to determine the 2004-06 state appropriation objective. A summary of the 2004-06 tuition and fees revenue deduction is provided in Table A-2.

***Enrollment***

Estimated fall 2003 full-time equivalent student enrollment was used to calculate the 2004-06 funding needs. A summary of each institution's estimated fall 2003 enrollment is shown in Table A-3.

***Phase-In***

The funding recommendation for each institution is based on either a three biennia phase-in of the benchmark funding need or an inflationary increase of 2 percent each year, whichever is greater. A summary of the annual funding recommendation is included in Table A-4.

***Base Adjustments***

- Maintenance and operation (M&O) funding is provided for new educational and general facilities that have come into use during the 2002-04 biennium or will come into use during the 2004-06 biennium.
- Changes in debt service obligations for state supported facilities.
- Base adjustment for KSU necessary to meet percentage state match requirements due to changes in federal guidelines on Federal Land Grant match requirements. The match requirements are increasing from 70 percent to 100 percent state match over the next several years for all 1890 land grant colleges and universities in the nation (Agricultural Research, Extension, and Reform Act of 2002 (FSRIA)). The state match requirement will be 80 percent in FY 2004-05 and 90 percent in 2005-06 and will be fully phased-in at 100 percent by 2006-07.
- Base adjustment for UK necessary to restore earned enrollment growth and retention funding.
- Increases for the state's contractual obligation related to indigent care provided through the quality and charity care trust agreement at the University of Louisville hospital.

## Special Initiative Funding Program

Special Initiative	Modification/description of funding request	2004-05	2005-06
Cancer Research Using Pharma- cogenomics	<p><b>Description:</b> Pharmacogenetics is the study of how genes affect the way people respond to medicines, including cancer treatment. Funds will be used to recruit faculty members with expertise in this area to assist clinical cancer investigators in the design and genetic analysis of clinical research protocols and enhance extramural funding in cancer research through the National Institutes of Health and to support goal of achieving NCI-designated Comprehensive Cancer Center status.</p> <p><b>Modification:</b> Initially submitted by UK, this initiative has been modified to provide collaboration between UK and UofL. The request amount was reduced and moved to the second year of the biennium.</p>		\$500,000
Multidisciplinary Approach in Bioinformatics	<p><b>Description:</b> To integrate formal bioinformatics training with the design and the use of basic computer science tools and applications of bioinformatics methods in ongoing biomedical research. To utilize the existing Kentucky Biomedical Research Information Network (KBRIN) to enhance the capacity, capability, and resourcefulness of biomedical researchers and educators. It will build on the evolving collaborative bioinformatics model that encompasses many disciplines and departments such as bioinformatics, biostatistics, computer engineering and computer science, anatomical science and neurobiology and molecular biology in the school of medicine; and the department of molecular, cellular, and craniofacial biology in the school of dentistry.</p> <p><b>Modification:</b> Initially submitted by UofL, this initiative has been modified to provide collaboration between UofL and UK. The request amount was reduced and moved to the second year of the biennium.</p>		\$500,000
Homeland Security	<p><b>Description:</b> To obtain matching funds from the Department of Homeland Security and other federal grants to assist Kentucky expediently attain and deploy improved public security, health and safety, and emergency response measures.</p> <p><b>Modification:</b> Initially submitted by KCTCS, this initiative has been modified to provide collaboration with other postsecondary institutions. The request amount was reduced and moved to the second year of the biennium.</p>		\$1,000,000

Kentucky Academy of Mathematics and Science	<p><b>Description:</b> Collaboration between postsecondary and secondary education as well as businesses, industries, and other entities with research components to advance the P-16 statewide goals. Funds will be used to assist in renovation of a hall to be used to provide high school juniors and seniors with opportunities to study at the postsecondary level in math, science, and engineering.</p> <p><b>Modification:</b> This request was submitted by WKU and will serve students on a statewide basis. The request amount was reduced and moved to the second year of the biennium.</p>		\$500,000
Enrollment Stabilization Program-KSU	<p><b>Description:</b> Based on Baker Hostetler, this initiative would provide funds to develop the necessary infrastructure and planning strategies, secure consulting to implement strategies to increase enrollment, and establish a summer transition program for new freshmen.</p> <p><b>Modification:</b> CPE will implement based on performance contract to be developed with KSU - reduced funding and split the request to both years of the biennium to continue consistent growth.</p>	\$213,300	\$213,300
<b>TOTAL</b>		\$213,300	\$2,713,300

## DISTRIBUTION OF FUNDING INCREASES

## FISCAL YEAR 2004-05

<u>Institution</u>	FY 2003-04		2004-05 Increases		2004-05 <u>Approp</u>	Annual Percent <u>Increase</u>
	<u>State General Fund</u>		<u>Benchmark</u>	<u>Estimated Base</u>		
	<u>Appropriation</u>		<u>Funding</u>	<u>Adjustments*</u>		
EKU	\$ 73,515,900	\$	3,771,100	\$ 517,545	\$ 77,804,545	5.8%
KCTCS	189,097,700		9,337,400	969,107	199,404,207	5.5%
KSU	22,631,500		407,600	1,662,221	24,701,321	9.1%
MoSU	42,738,200		2,830,400	313,531	45,882,131	7.4%
MuSU	51,472,900		2,581,800	832,346	54,887,046	6.6%
NKU	47,092,700		4,205,900	939,085	52,237,685	10.9%
UK	299,074,500		8,423,100	4,066,458	311,564,058	4.2%
LCC	9,444,700		871,200	6,100	10,322,000	9.3%
UofL	174,950,000		8,433,600	2,745,138	186,128,738	6.4%
WKU	72,040,100		6,892,600	1,162,871	80,095,571	11.2%
<b>Total</b>	<b>\$ 982,058,200</b>	<b>\$</b>	<b>47,754,700</b>	<b>\$ 13,214,402</b>	<b>\$ 1,043,027,302</b>	<b>6.2%</b>

## FISCAL YEAR 2005-06

<u>Institution</u>	2005-06 Increases			Annual Percent <u>Increase</u>	Total Biennial <u>Increase</u>	Biennial Percent <u>Increase</u>
	<u>Benchmark</u>	<u>Estimated Base</u>	<u>2005-06</u>			
	<u>Funding</u>	<u>Adjustments*</u>	<u>Approp</u>			
EKU	\$ 3,771,100	\$ 922,663	\$ 82,498,308	6.0%	\$ 8,982,408	12.2%
KCTCS	9,337,400	306,663	209,048,270	4.8%	19,950,570	10.6%
KSU**	415,700	(1,526,292)	23,590,729	-4.5%	959,229	4.2%
MoSU	2,830,400	(87,276)	48,625,255	6.0%	5,887,055	13.8%
MuSU	2,581,800	422,824	57,891,670	5.5%	6,418,770	12.5%
NKU	4,205,900	(242,800)	56,200,785	7.6%	9,108,085	19.3%
UK	8,423,100	549,455	320,536,613	2.9%	21,462,113	7.2%
LCC	871,200	3,700	11,196,900	8.5%	1,752,200	18.6%
UofL	8,433,600	982,163	195,544,501	5.1%	20,594,501	11.8%
WKU	6,892,600	374,485	87,362,656	9.1%	15,322,556	21.3%
<b>Total</b>	<b>\$ 47,762,800</b>	<b>\$ 1,705,585</b>	<b>\$ 1,092,495,687</b>	<b>4.7%</b>	<b>\$ 110,437,487</b>	<b>11.2%</b>

\*\* Estimated annual reduction reflects decreased need for state supported debt services due to debt retirement.



## 2004-06 BENCHMARK FUNDING MODEL - TUITION DEDUCTION

<u>Institution</u>	2003-04		2003-04		Tuition and Fees Revenue as a % of	Benchmark		Benchmark Funding Model Deduction
	Budgeted Tuition and Fees Revenue	Net State General Fund Appropriation	Total Public Funds	Total Public Funds		Funding Model Standard	Funding Model Deduction	
EKU	\$ 48,583,600	\$ 69,803,800	\$ 118,387,400	41.0%	37.0%	37.0%	37.0%	
MoSU	31,880,900	41,285,600	73,166,500	43.6%	37.0%	37.0%	37.0%	
MuSU	44,454,000	49,588,400	94,042,400	47.3%	37.0%	37.0%	37.0%	
NKU	64,969,600	42,059,400	107,029,000	60.7%	37.0%	37.0%	37.0%	
UK	142,305,700	293,958,300	436,264,000	32.6%	37.0%	37.0%	32.6%	
UofL	105,036,400	165,445,100	270,481,500	38.8%	37.0%	37.0%	37.0%	
WKU	64,444,000	68,925,600	133,369,600	48.3%	37.0%	37.0%	37.0%	
<i>Subtotal</i>	<i>501,674,200</i>	<i>731,066,200</i>	<i>1,232,740,400</i>	<i>40.7%</i>				
KSU	11,425,900	20,379,500	31,805,400	35.9%	30.0%	30.0%	30.0%	
KKCTCS	97,078,200	178,451,800	275,530,000	35.2%	30.0%	30.0%	30.0%	
LCC	14,950,500	8,712,000	23,662,500	63.2%	30.0%	30.0%	30.0%	
<i>Subtotal</i>	<i>123,454,600</i>	<i>207,543,300</i>	<i>330,997,900</i>	<i>37.3%</i>				
<b>Total</b>	<b>\$ 625,128,800</b>	<b>\$ 938,609,500</b>	<b>\$ 1,563,738,300</b>	<b>40.0%</b>				

Table A-3

## ESTIMATED FALL 2003 HEADCOUNT ENROLLMENT AND FULL-TIME EQUIVALENT\*

	<u>EKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>MoSU</u>	<u>MuSU</u>	<u>NKU</u>	<u>UK</u>	<u>LCC</u>	<u>UofL</u>	<u>WKU</u>	<u>Total</u>
<b>Undergraduate</b>											
Full-Time	10,405	27,815	1,656	6,622	6,850	8,850	16,455	5,395	10,688	12,945	107,681
Part-Time	3,226	43,246	481	1,119	1,400	3,358	1,885	3,305	4,018	2,875	64,913
<b>Total Undergraduate</b>	<b>13,631</b>	<b>71,061</b>	<b>2,137</b>	<b>7,741</b>	<b>8,250</b>	<b>12,208</b>	<b>18,340</b>	<b>8,700</b>	<b>14,706</b>	<b>15,820</b>	<b>172,594</b>
<b>Graduate</b>											
Full-Time	493	-	74	312	500	160	3,215	-	2,258	745	7,757
Part-Time	1,854	-	95	1,290	1,270	1,036	2,725	-	2,537	1,785	12,592
<b>Total Graduate</b>	<b>2,347</b>	<b>-</b>	<b>169</b>	<b>1,602</b>	<b>1,770</b>	<b>1,196</b>	<b>5,940</b>	<b>-</b>	<b>4,795</b>	<b>2,530</b>	<b>20,349</b>
<b>Professional</b>											
Full-Time	-	-	-	-	-	310	1,385	-	1,228	-	2,923
Part-Time	-	-	-	-	-	218	30	-	78	-	326
<b>Total Professional</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528</b>	<b>1,415</b>	<b>-</b>	<b>1,306</b>	<b>-</b>	<b>3,249</b>
<b>Total</b>											
Full-Time	10,898	27,815	1,730	6,934	7,350	9,320	21,055	5,395	14,174	13,690	118,361
Part-Time	5,080	43,246	576	2,409	2,670	4,612	4,640	3,305	6,633	4,660	77,831
<b>Total</b>	<b>15,978</b>	<b>71,061</b>	<b>2,306</b>	<b>9,343</b>	<b>10,020</b>	<b>13,932</b>	<b>25,695</b>	<b>8,700</b>	<b>20,807</b>	<b>18,350</b>	<b>196,192</b>
<b>Estimated Fall 2003</b>											
Full Time Equivalent (FTE)*	12,591	42,230	1,922	7,737	8,240	10,857	22,602	6,497	16,385	15,243	144,305
<b>Fall 2001 FTE</b>	<b>11,840</b>	<b>36,734</b>	<b>1,924</b>	<b>7,203</b>	<b>8,018</b>	<b>9,964</b>	<b>20,745</b>	<b>5,985</b>	<b>15,267</b>	<b>13,467</b>	<b>131,147</b>
(as used in 2000-02 benchmark calculations)											
Percent Change	6.3%	15.0%	-0.1%	7.4%	2.8%	9.0%	8.9%	8.5%	7.3%	13.2%	10.0%

\* FTE = Total full-time headcount + 1/3 part-time headcount. Excludes post doctoral students and house staff.

Table A-4

## 2004-2006 BENCHMARK FUNDING - FINANCIAL ANALYSIS

		<u>FKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>MoSU</u>	<u>MUSU</u>	<u>NKU</u>	<u>UK</u>	<u>LCC</u>	<u>UofL</u>	<u>WKU</u>
A	2004-2006 Benchmark Objective (1)	\$ 10,948	\$ 7,453	\$ 11,125	\$ 11,232	\$ 11,347	\$ 10,811	\$ 16,632	\$ 6,528	\$ 17,960	\$ 10,948
B	2003-04 Estimated Objective (2)	\$ 11,652	\$ 7,932	\$ 11,841	\$ 11,954	\$ 12,077	\$ 11,507	\$ 17,702	\$ 6,948	\$ 19,115	\$ 11,652
C	Less Tuition and Fees (Standard or Budgeted) (3)	4,311	2,380	3,552	4,423	4,469	4,258	5,771	2,085	7,072	4,311
D	Net Funding Need Per FTE	\$ 7,341	\$ 5,552	\$ 8,289	\$ 7,531	\$ 7,608	\$ 7,249	\$ 11,931	\$ 4,864	\$ 12,042	\$ 7,341
E	2003-04 State General Fund Appropriations	\$ 73,515,900	\$ 189,097,700	\$ 22,631,500	\$ 42,738,200	\$ 51,472,900	\$ 47,092,700	\$ 299,074,500	\$ 9,444,700	\$ 174,950,000	\$ 72,040,100
	Less:										
F	Public Service	-	-	966,400	-	2,383,800	-	42,793,800	-	18,732,500	-
G	Research	-	-	-	-	-	-	31,313,179	-	-	-
H	Debt Service	3,712,100	10,765,800	2,252,000	1,452,600	1,884,500	5,033,300	5,848,900	732,700	9,504,900	3,114,500
I	Total State General Fund Appropriations	\$ 69,803,800	\$ 178,331,900	\$ 19,413,100	\$ 41,285,600	\$ 47,204,600	\$ 42,059,400	\$ 219,118,621	\$ 8,712,000	\$ 146,712,600	\$ 68,925,600
J	Estimated Fall 2003 FTE (4)	12,591	42,230	1,922	7,737	8,240	10,857	22,602	6,497	16,385	15,243
K (U/J)	Estimated General Fund Per FTE	\$ 5,544	\$ 4,223	\$ 10,100	\$ 5,336	\$ 5,729	\$ 3,874	\$ 9,695	\$ 1,341	\$ 8,954	\$ 4,522
L (D-K)	Difference (Need less estimated)	\$ 1,797	\$ 1,327	\$ (1,812)	\$ 2,195	\$ 1,880	\$ 3,375	\$ 2,236	\$ 3,523	\$ 3,088	\$ 2,819
M (L*J)	General Fund Appropriation Need (Difference X Enrollment Fall 2003 FTE)	\$ 22,626,743	\$ 56,024,300	\$ -	\$ 16,982,635	\$ 15,490,619	\$ 36,648,598	\$ 50,538,796	\$ 22,886,818	\$ 50,601,410	\$ 42,972,762
N (M/6)	3 Biennia Phase-In/Annual Increase 10% Cap	\$ 3,771,124	\$ 9,337,383	\$ -	\$ 2,830,439	\$ 2,581,770	\$ 4,205,940	\$ 8,423,133	\$ 871,200	\$ 8,433,568	\$ 6,892,560
	Executive Budget Inflationary Increase										
O	2003-04 Net Base Appropriation (Net of Debt Service and UofL Hospital)	\$ 69,803,800	\$ 178,451,800	\$ 20,379,500	\$ 41,285,600	\$ 49,588,400	\$ 42,059,400	\$ 293,225,600	\$ 8,712,000	\$ 147,944,800	\$ 68,925,600
P (O*2%)	2004-05 Increase - 2.0%	\$ 1,396,100	\$ 3,569,000	\$ 407,600	\$ 825,700	\$ 991,800	\$ 841,200	\$ 5,864,500	\$ 174,200	\$ 2,958,900	\$ 1,378,500
Q ((O+P)*2%)	2005-06 Increase - 2.0%	\$ 1,424,000	\$ 3,640,400	\$ 415,700	\$ 842,200	\$ 1,011,600	\$ 858,000	\$ 5,981,800	\$ 177,700	\$ 3,018,100	\$ 1,406,100
	Total 2004-06 Increase	\$ 2,820,100	\$ 7,209,400	\$ 823,300	\$ 1,667,900	\$ 2,003,400	\$ 1,699,200	\$ 11,846,300	\$ 351,900	\$ 5,977,000	\$ 2,784,600

Funding Need	3 Biennia	
	Total	Phase In 10% Cap
2004-05	\$ 315,180,281	\$ 47,754,717
2005-06	\$ 315,188,381	\$ 47,762,817

1. The average of the 50th, 55th, and 60th percentiles.

2. The benchmark funding objective increased by inflation.

3. The tuition and fees deduction is based on 2003-04 budgeted tuition and fees as a percent of total public funds or the standard deduction approved by the Council (37% for universities; 30% for KSU, KCTCS, and LCC).

4. FTE = total full-time headcount + 1/3 part-time headcount.

5. The shaded areas represent the greater funding need (benchmark funding as compared to the inflationary increase). The Council staff recommends limiting the annual percentage increase to 8 percent.

Note: NKU's, LCC's, and WKU's annual increases are held to 10 percent of net base.



# Trust Funds and Incentive Funding Programs

## Attachment B

2  
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Council on Postsecondary Education  
November 3, 2003

## 2004-06 Budget Recommendation: Trust Funds and Incentive Funding Programs

The staff recommends that the Council request \$3,607,600 in FY 2004-05 and \$120,485,000 in FY 2005-06 (\$61,000,000 of the 2005-06 total is non-recurring) for five trust funds and three incentive funding programs. A summary of the recommended increases by trust fund or funding program is provided in the following table:

<b><i>Trust Fund or Funding Program</i></b>	<b><i>FY 2004-05</i></b>	<b><i>FY 2005-06</i></b>
<b>Research Challenge Trust Fund</b> <ul style="list-style-type: none"> <li>• Endowment Match Program (non-recurring)</li> <li>• Research Support-Programs of National Prominence</li> </ul>		\$50,000,000 6,000,000
<b>Regional University Excellence Trust Fund</b> <ul style="list-style-type: none"> <li>• Endowment Match Program (non-recurring)</li> <li>• Regional Stewardship Program</li> </ul>		10,000,000 6,000,000
<b>Technology Initiative Trust Fund</b>		1,400,000
<b>Workforce Development Trust Fund</b> <ul style="list-style-type: none"> <li>• Endowment Match Program (non-recurring)</li> </ul>		1,000,000
<b>Physical Facilities Trust Fund</b>	\$569,100	36,085,000
<b>Adult Education Incentive Funding Program</b>	1,038,500	
<b>Science and Technology Incentive Funding Program</b>	2,000,000	
<b>Enrollment Growth and Productivity Incentive Funding Program</b>		10,000,000
<b>TOTAL</b>		
Recurring	<b>\$3,607,600</b>	<b>\$59,485,000</b>
Non-recurring		<b>\$61,000,000</b>

## **I. Research Challenge Trust Fund**

The Council staff recommends that \$50 million in non-recurring funds be appropriated in FY 2005-06 for the Endowment Match Program at the research universities (see Endowment Match Program in Section II below).

In addition, \$6 million in recurring funds is recommended to address the research mission at UK and UofL to enhance programs of national prominence. These funds will be allocated two-thirds to UK and one-third to UofL. The guidelines are included in Attachment B-1.

## **II. Regional University Excellence Trust Fund**

The Council staff recommends that \$10 million in non-recurring funds be appropriated in FY 2005-06 to fund the Endowment Match Program at the comprehensive universities.

*Endowment Match Program.* The Endowment Match Program is funded through the Research Challenge Trust Fund (RCTF) and the Regional University Excellence Trust Fund (RUETF). The program received surplus state General Funds of \$110 million in 1998-99 and \$120 million in 2000-01 and was bond funded at \$120 million in FY 2003-04. The staff recommends that the state provide a fourth round of funding for the program in FY 2005-06 by appropriating \$61 million in non-recurring funds (\$50 million to the RCTF, \$10 million to the RUETF, and \$1.0 million to the Workforce Development Trust Fund).

The appropriation will be matched dollar-for-dollar by the institutions. The recommended allocation of the proceeds is as follows:

- \$33.35 million to the University of Kentucky.
- \$16.65 million to the University of Louisville.
- \$10 million allocated among the comprehensive universities based on each institution's share of 2003-04 net General Fund appropriations.

<u>University</u>	<u>Allocation</u>
EKU	\$ 2,390,195
KSU	697,827
MoSU	1,413,685
MuSU	1,697,987
NKU	1,440,182
WKU	<u>2,360,124</u>
	\$10,000,000



- \$1.0 million to the Kentucky Community and Technical College System.
- Funds will be distributed based on guidelines approved by the Council in September 2003, unless subsequent revisions are recommended and approved by the Council.

*Regional Stewardship Program.* The staff recommends \$6 million in recurring funds for public engagement programs, targeting the needs of public schools, employers, grant agencies, small businesses, and non-profit organizations. This model will stimulate reallocation of university resources to encourage comprehensive universities to expand efforts to support their mission as regional stewards and create partnerships that address regional needs. Program funds will be allocated and distributed to comprehensive universities based on proposed 2004-06 Regional Stewardship Program Guidelines included in Attachment B-2.

### **III. Technology Initiative Trust Fund**

Two programs were funded through this trust fund in 2002-04: operating expenses for the Kentucky Postsecondary Education Network (KPEN) and Faculty Development. There are three expansion requests being advanced for FY 2004-06 through the Technology Trust Fund: (a) KPEN - replacement of budget reductions; (b) KPEN - network expansion; and (c) Faculty Development - replacement of budget reductions.

Postsecondary education is dependent on high-speed, high bandwidth networks for the transmission of information. Students access classes through high-speed networks and access electronic library databases through the Web; and faculty communicate with colleagues at other institutions throughout the United States and the world using the Internet. Research efforts at all of the postsecondary education institutions, including new economy initiatives, require high-speed lines capable of moving data and voice across distances reliably.

In FY 2003-04, the KPEN allocation was reduced by \$750,000. The first expansion request restores this program to its original funding level in FY 2005-06 in order to avoid having to eliminate Internet services from the network. If the KPEN is not able to provide Internet services, each institution will have to develop separate contracts for Internet services or will have to contribute funds from their budget in order to pay these costs.

The second expansion request recognizes the need to replace the existing KPEN network with a new network capable of supporting the information and data exchanges required by the institutions. The current contracts expire on December 31, 2003, and June 30, 2004. The KPEN network currently is under bid; the best estimate is that the new network will cost an additional \$600,000

over the FY 2002-03 level of funding. If the contract for the new network costs as much as is estimated, and if additional funding is not provided, institutions will be required to make up the \$600,000 or services will be eliminated.

The faculty development program is used to bring faculty from across the system together to address such diverse issues as student retention, developmental education, the use of technology in the classroom, and distance learning. The faculty development initiative is a critical part of the postsecondary education reform effort. In FY 2003-04, the faculty development allocation was reduced by \$50,000. The expansion request for FY 2005-06 will enable the Council to continue to conduct additional seminars and faculty exchanges.

#### **IV. Workforce Development Trust Fund**

The Council staff recommends that \$1.0 million in non-recurring funds be appropriated in FY 2005-06 for the Endowment Match Program at the Kentucky Community and Technical College System (see Endowment Match Program in Section II above). The guidelines for this trust fund are included in Attachment B-3.

#### **V. Physical Facilities Trust Fund**

The staff recommends \$569,100 in debt service for FY 2004-05 and \$36,085,000 in debt service for FY 2005-06 to provide funding for capital and renewal needs as follows:

<b><i>Category</i></b>	<b><i>FY 2004-05</i></b>	<b><i>FY 2005-06</i></b>
Capital Renewal & Maintenance (debt service)		\$1,431,000
Renovation, Replacement, Infrastructure & New Construction (debt service)		34,654,000
KSU - Young Hall (one-half of debt service)	\$569,100	
Total Debt Service	\$569,100	\$36,085,000

Additional details regarding the Physical Facilities Trust Fund are included in Attachment B-4, B-4a, and Attachment C.

## **VI. Adult Education Incentive Funding Program**

In November 2000, the Council approved *An Agenda for Adult Education in Kentucky* that established a vision for increasing the literacy and economic viability of Kentucky's adult population through life-long learning, a focus on family literacy, and workplace learning. To accomplish that vision, the Council adopted a nine-point action plan supporting initiatives such as a public communications campaign, grants for model adult education programs, workforce education and training services, a distance learning program that provides Web-based access to adult literacy programs, and tuition discounts that support the continuing education of full-time employed GED completers. These initiatives and others were funded through the Adult Education and Literacy Trust Fund.

The General Assembly appropriated \$7.0 million to this trust fund in FY 2000-01 and \$12.0 million in 2001-02. During the 2003 legislative session, \$750,000 was removed from the trust fund, reducing funding for the communications campaign, and an additional \$288,500 was cut from the Adult Education agency budget that was part of the Workforce Cabinet. The 2002-04 Executive Operating Budget eliminated the Adult Education and Literacy Trust Fund and replaced it with the Adult Education Incentive Funding Program.

Since the passage of SB 1 in 2000, record enrollment growth has placed Kentucky's adult education program in the national spotlight. Significant enrollment growth has led to a decline in the amount appropriated per student served from \$382 in FY 2002 to \$282 in FY 2003. The reduction of \$1,038,500 in fiscal 2002-03, if not restored in 2004-06, could prevent Kentucky Adult Education from being able to sustain the momentum of adult education reform and build the capacity to meet established goals.

The staff recommends that the Council request \$1,038,500 for the Adult Education Trust Fund in 2004-05.

## **VII. Science and Technology Incentive Funding Program**

This incentive funding program provides a mechanism for funding the state's knowledge-based economy innovation programs. The Council is assigned oversight for six initiatives to stimulate research and development, university-business collaboration, and rural involvement in high-technology growth: the Research and Development Voucher Program, Commercialization Program, Rural Innovation Program, Kentucky Science and Engineering Foundation, knowledge-based academic program and Kentucky Experimental Program to Stimulate Competitive Research. The staff recommends expansion funding for the Rural Innovation Program and the Knowledge-based Academic Program.

The *Rural Innovation Program* assists small, rural, Kentucky-based firms to undertake research and development. Funds must be used in partnership with a university or an appropriate third party. Investments are made in proof of concept development and early stage prototyping. The 2000 General Assembly appropriated \$1.0 million in 2000-01 for the program but did not have funds to appropriate for 2001-02. The Kentucky Innovation Act (KRS 164.6011-6041) clearly contemplates that the Rural Innovation Fund is an ongoing, recurring program. In 2002-04, the General Assembly authorized \$1.0 million in each year of the biennium for the Rural Innovation program using non-recurring interest earnings reallocated from various strategic trust funds. The staff recommends that the Council request \$1.0 million in recurring funds for this program beginning in FY 2004-05.

*Knowledge-based Academic Program.* Since the Council approved the "Strategy for Statewide Engineering" in July 2000, joint undergraduate engineering programs have been established in mechanical engineering, civil engineering, electrical engineering, and electrical and telecommunications engineering. The participating institutions share the joint programs' cost. In 2002-04, the legislature authorized the Council to reallocate \$1.0 million in interest earnings from various trust funds to support the statewide engineering program. These funds were non-recurring. The staff recommends that the Council request \$1.0 million in recurring funds to support the programs beginning in 2004-05.

### **VIII. Enrollment Growth and Productivity Incentive Funding Program**

The precursor to this funding program, the Enrollment Growth and Retention Program, supported increased enrollment and retention at Kentucky's public postsecondary institutions with the aim of reaching or exceeding national averages of educational attainment by the year 2020.

In 2000-02, the legislature appropriated \$16 million to the Enrollment Growth and Retention Program (\$8 million each year). The program was funded through three separate trust funds: the Research Challenge Trust Fund, the Regional University Excellence Trust Fund, and the Postsecondary Education Workforce Development Trust Fund. In FY 2000-01, program funds were distributed among the public institutions according to the provisions of the 2000 Budget Bill (HB 502). The FY 2001-02 appropriation was distributed based on guidelines approved by the Council.

In 2002-04, the Council recommended that the General Assembly create a new Enrollment Growth and Retention Trust Fund, containing both an enrollment growth and retention program and a P-16 challenge grant program. The Council requested a total of \$22.3 million for the two programs in 2002-04, but proposed funding was not authorized.

The *2004-06 Points of Consensus* urge the Council to recommend trust funds that meet the priorities of *The Kentucky Postsecondary Education*

*Improvement Act of 1997* and the Strategic Agenda. The Enrollment Growth and Retention Trust Fund is one of two trust funds identified as meeting those criteria. In keeping with the *Points of Consensus*, the staff recommends that the Council request creation of a new Enrollment Growth and Productivity Incentive Funding Program. The new program will continue to support enrollment growth and retention, and will also encourage increased productivity and systemwide improvement at Kentucky's public postsecondary institutions by rewarding increased degree production and cooperative efforts to increase college preparation and participation.

The staff recommends that the Council request \$10,000,000 in funding for the Enrollment Growth and Productivity Incentive Funding Program in 2005-06. These funds will be divided into three pools pending allocation and distribution: (a) an enrollment growth pool; (b) a productivity pool; and (c) a systemwide improvement pool. The methods for determining the pools can be found in the proposed 2004-06 Enrollment Growth and Productivity Program Guidelines included in Attachment B-5. If the Council's request were fully funded, the distribution of funds for the three pools would be as follows:

<u>Category</u>	<u>Amount</u>
Enrollment Growth	\$8,700,000
Productivity	870,000
Systemwide Award	<u>430,000</u>
Trust Fund Total	\$10,000,000

#### **IX. Student Financial Aid and Advancement Trust Fund**

The Student Financial Aid and Advancement Trust Fund is funded from net lottery revenues in support of the Kentucky Educational Excellence Scholarship program (KEES). In FY 2003-04, the General Assembly gave KEES immediate access to an additional \$5.0 million in the unclaimed prize fund of the lottery with the promise that additional funds, up to the limit of the amount contained in the unclaimed prize fund, also could be committed to the KEES program.

The KEES program is scheduled to receive 40 percent of the lottery proceeds in FY 2003-04 and 45 percent in each of FY 2004-05 and FY 2005-06. In FY 2003-04, that amount is estimated to be \$64.32 million; in FY 2004-05 that amount is \$66.6 million, and \$65.385 million in FY 2005-06.

Based on the most recent estimates, the KEES program should be able to maintain current benefits within estimated revenue for FY 2004-05 but may experience a shortfall of \$3.3 million in FY 2005-06 that could result in reductions in benefits to high school students.

## **2004-06 Research Challenge Trust Fund Programs of National Prominence Guidelines**

### **Background**

*The Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) identified aggressive research agendas for the University of Kentucky and the University of Louisville. HB 1 gives the Council responsibility to develop criteria and process by which institutions can apply for funds appropriated to individual Strategic Incentive and Investment Trust Funds. The Council recognizes the importance of continuing to advance two of the goals of HB 1 to achieve: 1) a major comprehensive research institution ranked nationally in the top 20 public universities at the University of Kentucky and 2) a premier, nationally recognized metropolitan university at the University of Louisville.

Subsequently, with the Council and the Office of the New Economy, UofL and UK developed a collective goal of reaching \$500 million in extramural academic research and development expenditures as defined by the National Science Foundation by the year 2010. To attain this goal, both institutions need to expand faculty and facilities as they each strive to grow their existing extramural research expenditures. To enable this expansion, the Council recommends a \$6 million pool of recurring funds, in the 2004-06 biennium, to support research and associated academic programs in areas of strategic priority to each university, including the five new economy clusters: human health and development; biosciences; materials science and advanced manufacturing; information technologies and communications; and environmental and energy technologies. These areas are of strategic benefit to Kentucky and are core components of the knowledge-based economy.

The Endowment Match Program has been extremely successful in recruiting senior faculty and the strategy has proved, in only a short time, to be a well-placed investment. Both institutions now need resources to recruit and support additional faculty so that Kentucky can “grow its own stars.” In addition, productive research faculties are highly mobile and retaining early RCTF and other outstanding faculty is critical.

### **Policy**

Six million dollars (\$6 million) in new state General Funds is recommended in the 2004-06 biennium to the University of Kentucky (\$4 million) and the University of Louisville (\$2 million) to enable the institutions to meet each institution’s HB 1 goal.

1. Programs of National Prominence Funds are to be invested in areas identified by each university as strategic priorities including research in the new economy clusters so that the universities contribute to research and scholarship excellence as well as to the economic vitality of the Commonwealth.

2. The universities may use the Programs of National Prominence Funds for faculty salary support, faculty start-up packages, support of graduate students, laboratory or other research space renovations, capital projects, and faculty retention packages.
3. The universities will be accountable for all program expenditures and will prepare annual programmatic and financial reports.
4. Program funds should be invested so as to have a positive impact on the institution as a whole, bring benefit to students, and promote the interests of the Commonwealth and the nation. It is also desirable that the new investments should be made in areas where the doctoral degree or appropriate terminal professional degrees are awarded.

### **Funding Criteria**

To be eligible for program funds, the institution:

1. Must provide a 1:1 match. The Council shall determine the matching funds or internal reallocation requirements to qualify for funding.
2. Must establish an identifiable budget and expenditure account for each program.
3. Must include outcomes-based performance indicators.
4. Must supplement, rather than supplant, current program funds.

The Council staff will work with the research universities to develop procedures and evaluation criteria for administering the funds for consideration at the February 2004 meeting.

## 2004-06 Regional Stewardship Program Guidelines

### *Introduction*

As part of the Regional University Excellence Trust Fund, the Regional Stewardship Program will support comprehensive universities' efforts to focus their missions on improving the quality of life in their regions and to achieve the aspirations set forth in *The Kentucky Postsecondary Education Improvement Act of 1997* and *2020 Vision*. In Kentucky, and across the nation, discussions of the mission of comprehensive universities have focused on their responsibility for meeting the education, health, economic, and civic needs of the regions they serve. Effective public engagement with P-12 schools, employers, local governments, and non-profit agencies requires alignment of institutional missions, reward systems, and resources with a commitment to regional stewardship. This trust fund provides seed money to stimulate that work.

Public engagement programs, like basic research, are cost centers for universities. Some programs may generate limited funds through contracts with employers and local governments, but most programs that target the needs of public schools, small businesses, government agencies, and non-profits require the support of public funds. Recognizing the costs of basic research, the federal government has allocated billions of dollars through agencies like the National Science Foundation to successfully stimulate reallocation of university resources to address a national research agenda. The Regional Stewardship Program adopts this successful model to encourage comprehensive universities to expand their efforts to engage regional needs.

Models across the country demonstrate that a fully engaged comprehensive university is a powerful force that serves as a center for regional improvement: greater economic vitality, better government services, improved public health, and citizens who are more engaged with democratic processes. In addition, students and faculty at engaged universities are a part of a more vital educational process that improves teaching and learning and links teaching, learning, and research to public needs. Students graduate understanding their obligation to use what they have learned to contribute to a common good.

Institutions are expected to design, develop, and implement programs that align university resources and infrastructure to support their missions as regional stewards and create partnerships that address regional needs.

The program will make \$6 million available to the comprehensive universities to achieve this goal. Initially up to \$1 million will be available to each university based on responses to a Council request for proposals. If a university's proposal does not justify use of its allocation, unearned funds will be made available to the other comprehensive universities through a supplemental proposal process.



### Uses of Regional Stewardship Program Funds

1. Activities should be directed toward initiatives that will help achieve the goals of *The Kentucky Postsecondary Education Improvement Act of 1997* and *2020 Vision* through creation of regional partnerships that improve economic prosperity and the quality of life in the region.
2. A percentage of the funds will be allowed as indirect costs to support university efforts to fulfill the mission of regional stewardship.
3. Proposals must focus on partnerships and contracts with P-12 schools, employers, entrepreneurs, local governments, and non-profit agencies. Outcomes must be clearly linked to documented regional needs, such as raising educational attainment levels, improving public health or environmental conditions, improving economic indicators, supporting small business development, or increasing civic engagement.
4. Examples of initiatives that may be funded include efforts to:
  - Address issues of teacher quality, pre-service training, in-service professional development, or eliminating teacher shortages.
  - Conduct research that identifies causes and solutions for student achievement gaps.
  - Develop community-based research programs that address public problems, such as improving the environment, public health, and transportation.
  - Meet the needs of current employers and create new economic opportunities for the region.
  - Increase citizen participation in democratic processes.
  - Help the region address the challenges and opportunities posed by an increasingly diverse population.

### Implementation

The Council staff will work with the comprehensive universities to develop procedures and evaluation criteria for administering these funds for consideration at the February 2004 meeting. Criteria for evaluating proposals might include:

- Addressing significant regional problems as evidenced by both community and university assessment.
- Involving community partners who will contribute financial or in-kind support.
- Drawing on faculty expertise that is aligned with project needs.
- Involving students where appropriate.
- Holding promise for significant and sustainable regional impact.

## **2004-06 Endowment Match Program Guidelines for the Workforce Development Trust Fund**

### **Background**

Kentucky recognizes the importance of workforce education and training to the economic well being of its citizens. The Endowment Match Program encourages private investment in public postsecondary education workforce education and training initiatives to stimulate business development, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The program matches public money with private gifts to fund endowed chairs, professorships, scholarships, workforce education infrastructure, and mission support.

State funds for the program are appropriated to the Workforce Development Trust Fund (WDTF) for the Kentucky Community and Technical College System. The WDTF was created with the passage of *The Kentucky Postsecondary Education Improvement Act of 1997* (HB 1).

### **Program Administration**

The Council on Postsecondary Education oversees the Endowment Match Program. The Council establishes the areas of concentration within which program funds are used, develops guidelines for the distribution of program funds, and reviews reports from the institutions on the use of funds and the results achieved.

### **Role of the KCTCS Board of Regents**

The KCTCS Board of Regents is responsible for the implementation of the Endowment Match Program at community and technical colleges in Kentucky. The board shall review and approve all donations, gifts, and pledges that will be used to establish new endowments or expand existing endowments for which matching state funds will be requested. The board shall ensure that the purpose of the endowment and the source of funds comply with the Council's guidelines and serve the public good. Documentation of board approval must be submitted with each endowment request. In addition, the board shall review and approve the Endowment Match Program reports that are submitted annually to the Council.

### **Allocation of Program Funds**

The Council has requested \$1.0 million for the WDTF Endowment Match Program in 2005-06. All of that amount will be allocated to the WDTF, where it will remain until matched by KCTCS institutions.

## Matching Requirements

The Endowment Match Program is conceived as a way to bring new money from external sources into the Commonwealth's system of postsecondary education. In order to receive state funds, KCTCS institutions must provide dollar-for-dollar matching funds that satisfy the following requirements:

- Gifts and pledges must be newly generated to be eligible for state match. Newly generated contributions are those received by KCTCS after June 1, 2003.
- Gifts and pledges must be from external sources to be eligible for state match. External source contributions are those that originate outside KCTCS or one of its recognized foundations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals. Funds received from federal, state, and local government sources are not eligible for state match.
- General Fund appropriations and student-derived revenues (for example, tuition and fees revenue) are not eligible for state match.
- The minimum institutional request amount is \$50,000. KCTCS may combine smaller donations from businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals to meet the \$50,000 minimum.
- All funds, both state and private, must be endowed. "Endowed" means only the investment earnings are eligible for expenditure, not the principal.
- Requests for state funds must identify the matching funds that are cash and the matching funds that are pledges.
- Pledges, or promises of future payment, are eligible for state match provided they are based on a written contract or agreement and include a payment schedule, which does not exceed five years from the initial pledge date. Pledge payment schedules showing receipts to date and scheduled future payments are to be included in the audited financial statements of either the institution or the foundation.
- If pledged funds are not received within five years of the initial pledge date, KCTCS must replace the portion of private funds not received with another eligible cash gift or the unmatched portion of the state funds plus an allowance for accrued interest will revert to the trust fund for reallocation. In such cases, a time frame for the replacement or return of state funds will be negotiated between Council staff and institutional representatives.
- KCTCS officials must notify the Council staff of unpaid pledges six months before the end of the five-year deadline, or immediately when a gift has been revoked.

## Uses of Program Funds

Investment earnings from the endowments can be used to support various activities including chairs, professorships, undergraduate scholarships, workforce education and training infrastructure, and mission support as described below.

**Chairs:** New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by KCTCS policy.

**Professorships:** New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by KCTCS policy.

**Undergraduate Scholarships:** Program funds can be used to support scholarships for outstanding undergraduate students, which may include travel and other expenses as permitted by KCTCS policy.

**Workforce Education and Training Infrastructure:** Start-up and operating expenses that are directly linked to the workforce education and training activities of an endowed chair or professor, including equipment, materials and supplies, deployment of technology, and other related expenses as permitted by KCTCS policy.

**Mission Support:** Program funds can be used to support the KCTCS workforce development mission. Consideration will be given to mission support activities such as: (1) expenditures that enhance the KCTCS capability in workforce education and training (for example, books, manuals, workforce education and training materials, media, and equipment); (2) start-up costs, equipment, and supplies that support faculty or student education and training that enhance workforce development; (3) funding for visiting professors and instructors, lecture series, demonstration projects, and faculty exchange; and (4) expenditures for the dissemination of information and best practices (for example, nationally prominent publications and presentations at conferences, symposiums, seminars, or workshops). However, priority will be given to mission support expenditures that encourage the workforce education and training activities of faculty and students. Expenditures for general personnel expenses that are not directly linked to an endowed chair or professor do not qualify as mission support activities.

## Use of Funds Requirements

- At least 50 percent of program funds must be endowed for the purpose of supporting chairs, professorships, infrastructure, or scholarships that are directly linked to the workforce education and training activities of an endowed chair or professor. No more than 50 percent of program funds may be endowed for the purpose of supporting mission support activities or scholarships that are not directly linked to the applied workforce education and training activities of an endowed chair or professor.

### **Areas of Concentration**

- The Council expects state and private matching funds to be substantially directed toward supporting workforce education and training that leads to the creation, preservation, or attraction of businesses that will increase the number of good jobs in Kentucky. For these purposes, “good jobs” are defined as jobs that yield income at or above the national per capita income.
- The Council recognizes the importance of cooperation between KCTCS and corporations and encourages partnerships in the technologies, engineering, and applied sciences.
- The Council recognizes the importance of the KCTCS transfer mission and supports initiatives that enhance the transition of students from KCTCS colleges to four-year institutions.
- The Council also recognizes the contribution of arts and humanities to quality of life and to economic development in the Commonwealth and is receptive to limited use of endowment funds in this area.
- Program funds cannot be used for positions which are primarily administrative. However, professors in workforce education and training programs who may have an appointment such as department chair, center director, or dean are eligible.
- Program funds cannot be used to fund capital construction projects.

### **Annual Reporting**

Institutions will provide detailed annual reports describing how the state and matching funds are used by October 15 each year. These reports will include such items as the number of endowed chairs and professorships by name and incumbent, the specific support services attached to the chairs and professorships, and the benefits of the program to the Commonwealth of Kentucky in terms of jobs, revenue growth, creation of wealth, and improved standards of living. The reports should also identify program outcomes, such as increases in sponsored workforce education and training directly attributable to the program and improvement in related student outcome measures (for example, increased enrollment, retention, graduation, transfer, and employment).

The Council staff, working with KCTCS, will devise and maintain reporting procedures that specify the content and format of Endowment Match Program annual reports.

**Physical Facilities Trust Fund  
Capital Renewal and Maintenance  
Program Guidelines  
2004-06**

***Introduction***

The Council on Postsecondary Education recommends a \$15 million bond issuance for the Capital Renewal and Maintenance Program in the Physical Facilities Trust Fund. The bond proceeds and required matched by the institutions will be used to reduce deferred maintenance backlogs and address long-range facility renewal needs. As in previous biennia, the Council staff will work with the Finance and Administration Cabinet to provide the necessary documentation so that the bonds may be issued in January 2005.

The bond proceeds will be distributed to the institutions based on their educational and general square footage. These are the same guidelines and allocation method used in the 2000-02 Capital Renewal and Maintenance Program.

**Use and Distribution of Capital Renewal and Maintenance Program Funds**

1. Bond proceeds will be matched at varying rates by the institutions based on their efforts to maintain existing facilities. As shown on Tables B-4a and B-4b, the matching rates are based on the average useful life of capital renewal and maintenance projects completed from 1992 to 2002. Including the required institutional match, \$26.7 million in capital renewal and deferred maintenance projects will be funded. Eligible matching funds can include agency, private, or federal funds. Capital renewal projects that are completed as part of an energy performance contract will not qualify as matching funds.
2. The institution, prior to the release of the capital renewal program funds, must certify the availability of matching funds.
3. By August 1, 2004, each institution will submit a list of requested projects to be funded with the state bonds and the required institutional match. Requested projects must be included in the institution's 2004-10 capital plan submitted to the Capital Planning Advisory Board and the Council. Any project costing \$400,000 or more must be listed in the enacted 2004-06 Budget of the Commonwealth.

The Council will act on the institutions' proposals and report that action to the secretary of the Finance and Administration Cabinet for approval.

**Physical Facilities Trust Fund  
Agency Bond Authority Allocation Guidelines  
2004-06**

***Introduction***

The Council on Postsecondary Education recommends that the General Assembly authorize bonded debt authority to allow institutions to complete capital projects. The debt service will be paid from institutional funds. As in previous biennia, the Council staff will allocate the bond authority to the institutions, and will also work with the Finance and Administration Cabinet to provide the necessary documentation so that, if needed, the bonds may be issued in the first year of the biennium.

The bond authority will be distributed to the institutions based on their share of fall 2003 headcount enrollment. In March 2003, the Council staff and the institutions agreed on a method for distributing agency bond authority among institutions in a manner that is both equitable to the institutions and supportive of statewide priorities. These guidelines and the allocation method were used to allocate the 2002-04 Agency Bond Pool in May 2003.

**Distribution of Agency Bond Pool Authority**

1. The first step is to ask institutions to clarify their requests and priorities and to identify the specific revenue stream to be used for debt service.
2. Each institution must: 1) eliminate projects that have been completed or are no longer necessary to meet the previously identified need; 2) list each remaining project in specific order of priority; 3) list the date bonds will be issued; and 4) identify the specific revenues stream to be used for debt service. Any project costing \$400,000 or more must be listed in the enacted 2004-06 Budget of the Commonwealth.
3. By November 15, 2004, the Council will allocate the agency bond authority to the institutions and report that action to the secretary of the Finance and Administration Cabinet and to the Capital Projects and Bond Oversight Committee.

**Capital Renewal and Deferred Maintenance Program**  
**Useful Life Summary for Projects Completed Between 1992-2002**  
**September 30, 2003**

Institution Name	Summary Building System Baseline Information 1992 - 2002					Average Percentage Useful Life
	Site Improve Infrastructure	Exterior Closure Systems	Interior Constr and Finishes	Mechanical Sys.	Electrical Sys.	
EKU	-	133.48%	146.67%	134.45%	228.00%	160.65%
KCTCS	128.89%	154.41%	81.25%	134.00%	123.72%	123.35%
KSU	127.78%	128.24%	124.00%	97.91%	103.08%	116.20%
MoSU	188.00%	126.71%	153.77%	151.85%	178.18%	152.63%
MuSU	160.83%	151.89%	145.24%	157.24%	147.69%	152.58%
NKU	63.45%	116.62%	128.88%	120.16%	93.00%	104.42%
UK (MC, LCC & Medical Center)	200.76%	163.11%	108.78%	151.38%	188.85%	162.58%
UofL	134.29%	148.28%	145.40%	137.08%	124.75%	137.96%
WKU	115.03%	133.95%	136.33%	154.97%	136.43%	135.34%

Average Useful Life	Match Rate
1. Useful Life History: Less Than 90% of expected useful life	\$1 for \$1
2. Useful Life History: Greater than 90% but less than 105% of expected useful life	\$0.90 for \$1
3. Useful Life History: Greater than 105% but less than 120% of expected useful life	\$0.85 for \$1
4. Useful Life History: Greater than 120% but less than 136% of expected useful life	\$0.80 for \$1
5. Useful Life History: Greater than 136% of expected useful life	\$0.75 for \$1



**Capital Renewal and Deferred Maintenance Program**  
**Useful Life Summary for Projects Completed Between 1992 and 2002**  
**September 30, 2003**

Institution Name	Actual Useful Life of Building Systems Projects Completed Between 1992 and 2002 Compared to the Expected Useful Life						Allocation of Bond Proceeds 2002-04				
	Site			Interior			Average Percentage Useful Life	Total E & G Square Footage	Percent of Total Space	\$10 Million Bond Pool	Required Institutional Match
	Improvement Infrastructure	Exterior Systems	Closure and Finishes	Mechanical Systems	Electrical Systems						
EKU	-	133.48%	146.67%	134.45%	228.00%	160.65%	1,622,904	8.9%	\$ 1,342,500	\$ 1,006,900	
KCTCS	128.89%	154.41%	81.25%	134.00%	123.72%	123.35%	3,519,106	19.4%	2,911,000	2,328,800	
KSU	127.78%	128.24%	124.00%	97.91%	103.08%	116.20%	505,449	2.8%	418,100	355,400	
MoSU	188.00%	126.71%	153.77%	151.85%	178.18%	152.63%	963,903	5.3%	797,300	598,000	
MuSU	160.83%	151.89%	145.24%	157.24%	147.69%	152.58%	1,372,181	7.6%	1,135,100	851,300	
NKU	63.45%	116.62%	128.88%	120.16%	93.00%	104.42%	1,043,724	5.8%	863,400	777,100	
UK (MC, LCC & Med. Center)	200.76%	163.11%	108.78%	151.38%	188.85%	162.58%	4,408,822	24.3%	3,647,000	2,735,300	
UofL	134.29%	148.28%	145.40%	137.08%	124.75%	137.96%	2,501,870	13.8%	2,069,500	1,552,100	
WKU	115.03%	133.95%	136.33%	154.97%	136.43%	135.34%	2,195,618	12.1%	1,816,200	1,453,000	
<b>Total</b>							18,133,577	100.0%	\$15,000,100	\$ 11,657,900	
<b>Total Capital Renewal and Deferred Maintenance Funds</b>											<b>\$ 26,658,000</b>

**Average Useful Life**

**Match Rate**

1. Useful Life History: Less Than 90% of expected useful life
2. Useful Life History: Greater than 90% but less than 105% of expected useful life
3. Useful Life History: Greater than 105% but less than 120% of expected useful life
4. Useful Life History: Greater than 120% but less than 136% of expected useful life
5. Useful Life History: Greater than 136% of expected useful life

\$1 for \$1  
 \$0.90 for \$1  
 \$0.85 for \$1  
 \$0.80 for \$1  
 \$0.75 for \$1

## 2004-06 Enrollment Growth and Productivity Program Guidelines

### *Introduction*

The purpose of the Enrollment Growth and Productivity Program is to support increases in enrollment and productivity at Kentucky's postsecondary education institutions. The Council, in conjunction with the institutions, will establish enrollment and productivity goals as part of the *Key Indicators of Progress toward Postsecondary Reform in Kentucky*. These goals will reflect *2001-2006 Action Agenda* and House Bill 1 initiatives for Kentucky to reach national averages in educational attainment by the year 2020. The program also encourages systemwide improvement by rewarding cooperative efforts (for example, partnerships among public and independent colleges, P-12 schools, and communities) to better prepare high school students and adult learners for postsecondary education.

### **Objectives**

- To provide a comprehensive framework to substantively support enrollment growth and to reward several dimensions of productivity and systemwide improvements in education preparation and participation.
- To provide support for undergraduate and graduate enrollment growth during the biennium as a supplement to institutional base funding provided by the benchmark funding model and to reward increases in minority student enrollment.
- To reward institutions for increased productivity by retaining and graduating more students and to reduce achievement gaps for underprepared students, students from disadvantaged counties, and minority students.
- To provide rewards for systemwide improvements in preparation and participation, reaching high school students and adult learners.

### **Allocation and Distribution Procedures**

Program funds will be divided into three pools pending allocation and distribution to the institutions: (a) an enrollment growth pool; (b) a productivity pool; and (c) a systemwide award pool.

#### **I. Enrollment Growth Pool**

The enrollment growth pool supports increases in undergraduate and graduate enrollment, as well as increases in minority student enrollment at both levels. It provides funding for enrollment growth over the biennium not included in the benchmark funding

process and differentiates the costs of undergraduate and graduate instruction as called for by the *Points of Consensus*.

- The size of the enrollment growth pool will be determined by adding undergraduate and graduate benchmark funding need for new enrollments, adjusted proportionately depending on the actual appropriation level.
- The enrollment growth pool will be divided into three sub-pools: (a) an undergraduate growth sub-pool; (b) a graduate growth sub-pool; and (c) a diversity sub-pool.

#### **A. Undergraduate Growth Sub-Pool**

The undergraduate growth sub-pool supports increases in undergraduate enrollment during the first year of the biennium that are not funded through the benchmark funding process.

- The size of the undergraduate growth sub-pool will be determined by subtracting the diversity sub-pool from the enrollment growth pool, and multiplying the result by undergraduate funding need as a percentage of total need, rounded to the nearest thousand. Undergraduate funding need is a function of anticipated undergraduate enrollment growth (based on 2004 goals) and institutional benchmark funding objectives.
- The undergraduate growth sub-pool will be allocated based on each institution's proportion of total estimated undergraduate need and will be distributed based on the attainment of 2004 undergraduate headcount goals.
- Undergraduate enrollment measures will be based on the goals set for Key Indicator 2A, Number of Undergraduates.

#### **B. Graduate Growth Sub-Pool**

The graduate growth sub-pool supports increases in graduate enrollment during the first year of the biennium that are not funded through the benchmark funding process.

- The size of the graduate growth sub-pool will be determined by subtracting the diversity sub-pool from the enrollment growth pool, and multiplying the result by graduate need as a percentage of total need, rounded to the nearest thousand. Graduate funding need is a function of anticipated graduate enrollment growth (based on 2004 goals) and institutional benchmark funding objectives.
- The graduate growth sub-pool will be allocated based on each institution's proportion of total estimated graduate need and will be distributed based on the attainment of 2004 graduate headcount goals.
- Graduate enrollment includes graduate and first professional students and is measured as Key Indicator 2B, Number of Graduate/Professional Students.

**C. Diversity Sub-Pool**

The diversity sub-pool rewards institutions for increases in undergraduate and graduate minority student enrollment during the first year of the biennium.

- The size of the diversity sub-pool will be 5 percent of the enrollment growth pool up to a maximum of \$1.0 million.
- The diversity sub-pool will be allocated proportionately based on each institution's increase in undergraduate and graduate/first professional minority FTE enrollment (between 2003 and 2004) multiplied by a \$150 diversity premium. Each institution will receive its allocation, unless total diversity awards for all institutions exceed the sub-pool total, then distribution amounts will be reduced proportionately.
- Minority students include the IPEDS race/ethnic categories of African American, Asian or Pacific Islander, American Indian or Alaskan Native, and Hispanic.

**II. Productivity Pool**

The productivity pool encourages increases in educational attainment in Kentucky by rewarding institutions for increasing retention rates and the number of degrees conferred, and for reducing achievement gaps in underprepared students, students from target (disadvantaged) counties, and minority students.

- The size of the productivity pool will be ten percent of the enrollment growth pool, up to a maximum of \$2.0 million dollars.
- The productivity pool will be divided into three sub-pools: (a) a retention sub-pool; (b) a degrees conferred sub-pool; and (c) an achievement gap sub-pool.

**A. Retention Sub-Pool**

The retention sub-pool rewards institutions for increasing retention rates of first-time freshmen during the first year of the biennium.

- The size of the retention sub-pool will be 45 percent of the total productivity pool.
- The retention sub-pool will be allocated based on each institution's proportion of total undergraduate and graduate 2003 FTE enrollment and will be distributed based on the attainment of 2004 retention rate goals.
- Retention measures will be based on the goals set for Key Indicator 3A, One-Year Retention Rate of First-time Freshmen.

### **B. Degrees Conferred Sub-Pool**

The degrees conferred sub-pool rewards institutions for increased degree production during the first year of the biennium.

- The size of the degrees conferred sub-pool will be 45 percent of the total productivity pool.
- The degrees conferred sub-pool will be allocated based on each institution's proportion of total undergraduate and graduate 2003 FTE enrollment and will be distributed based on the attainment of 2004-05 degrees conferred goals.
- The degrees conferred measure will correspond to Key Indicator 4C, Degrees Conferred.

### **C. Achievement Gap Sub-Pool**

The achievement gap sub-pool rewards institutions for productivity gains in one of three institutionally selected student subpopulations during the first year of the biennium.

- The size of the achievement gap sub-pool will be 10 percent of the total productivity pool.
- The achievement gap sub-pool will be allocated based on each institution's proportion of total undergraduate and graduate 2003 FTE enrollment and will be distributed based on the attainment of 2004-05 achievement gap goals.
- Each institution will select one of three student subpopulations (i.e., minority students, students from target counties, or underprepared students), combined with one of two productivity measures (i.e., retention or degrees conferred), as its Achievement Gap measure. Underprepared students are defined as undergraduates scoring below 18 on the ACT. The performance of the subpopulation in the selected productivity area compared to the established goal will be the basis for distributing the funds.

### **III. Systemwide Award Pool**

The systemwide award pool encourages cooperative efforts to increase college preparation and participation. These funds will provide incentives for institutions to more effectively assist in preparing high school students and adult learners to participate in postsecondary education.

- The size of the systemwide award pool will be 5 percent of the enrollment growth pool, up to a maximum of \$1.0 million dollars.
- The systemwide award pool will be divided into three sub-pools: (a) an ACT score sub-pool; (b) a high school to college sub-pool; and (c) a GED to college sub-pool.

**A. ACT Score Sub-Pool**

The ACT score sub-pool rewards institutions for helping Kentucky's high school seniors to meet or exceed the statewide goal for average ACT score during the second year of the biennium.

- The size of the ACT score sub-pool will be 33.3 percent of the total systemwide award pool.
- The ACT score sub-pool will be allocated based on each institution's proportion of total undergraduate and graduate 2003 FTE enrollment and will be distributed based on the attainment of the 2005 mean ACT score of high school seniors systemwide goal.
- The performance measure for this sub-pool is the average ACT score of Kentucky's high school seniors, or Key Indicator 1B. The systemwide goal for 2005 is a mean ACT score of 20.4 for high school seniors.

**B. High School to College Sub-Pool**

The high school to college sub-pool rewards institutions for helping to increase the proportion of Kentucky high school students who enroll in college within four years of their ninth grade year.

- The size of the high school to college sub-pool will be 33.3 percent of the total systemwide award pool.
- The high school to college sub-pool will be allocated based on each institution's proportion of total undergraduate and graduate 2003 FTE enrollment and will be distributed based on the attainment of the 2004 high school to college systemwide goal.
- The performance measure for this sub-pool will be based on the goal set for Key Indicator 2C, the proportion of Kentucky ninth graders who enroll in college within four years. The systemwide goal for 2004 is 40 percent of ninth graders enrolling in college within four years.

**C. GED to College Sub-Pool**

The GED to college sub-pool rewards institutions for helping to increase the proportion of Kentucky GED completers who enroll in college within two years of earning their credential.

- The size of the GED to college sub-pool will be 33.4 percent of the total systemwide award pool.
- The GED to college sub-pool will be allocated based on each institution's proportion of total undergraduate and graduate 2003 FTE enrollment and will be distributed based on the attainment of the 2004 GED to college systemwide goal.

- The performance measure for this sub-pool is the proportion of GED completers who enroll in any Kentucky postsecondary institution within two years, or Key Indicator 2D. The systemwide goal for 2004 is 21.2 percent of GED completers attending college within two years.

### **Unearned Funds**

- Any unearned funds from the three pools may be distributed to institutions that exceed their undergraduate or graduate enrollment goals.
- The amount of unearned funds per FTE distributed to an institution shall not exceed the per FTE amount used to calculate that institution's original enrollment growth allocation.
- Any balances that still remain following the distribution of unearned funds will be carried forward in the funding program to the next biennium.

### **Timing of Fund Distributions**

- Funds from the enrollment growth pool (including undergraduate growth, graduate growth, and diversity sub-pools) and from the retention rate sub-pool will be disbursed after July 1, 2005.
- Funds from the systemwide award pool (including ACT score, high school to college, and GED to college sub-pools) and from the degrees conferred funds and achievement gap sub-pools, as well as any unearned funds awarded to institutions that exceed their enrollment goals, will be distributed after January 1, 2006, to allow time for the necessary data to be collected and verified.
- The distributed funds will be recurring to the institutions.





# Capital Budget Recommendation

## Attachment C



Council on Postsecondary Education  
November 3, 2003

## 2004-06 Capital Budget Recommendation

The Council staff recommends \$15 million in state bonds to fund the capital renewal and maintenance pool. Including a required match from the institutions, \$26.7 million in capital projects would be funded through this program. Debt service for the bonds is included in the Physical Facilities Trust Fund. Only projects involving educational and general facilities are eligible for funding from the pool. The projects would be authorized in 2004-05. Projects eligible for funding from the pool are included in Table C-1. The \$15 million will be allocated among the institutions based on their proportionate share of educational and general space as of fall 2002. See Table B-4a.

The Council staff also recommends \$378,362,200 of state bonds to construct new space and to renovate existing facilities (Table C-2). Included among the projects identified for renovation is \$11,200,000 for Hathaway Hall at Kentucky State University. The project is needed to fulfill the commitment of the Commonwealth in its Partnership Agreement with the U.S. Department of Education, Office for Civil Rights. The Council staff's recommendations for state funded capital projects are based on evaluation using the space need model, the Council's consulting architect's report, and institutional project priorities. (The consultant's report and the space needs model results are available on the Council's Web site.)

The Council staff also recommends institutionally funded capital projects that support the objectives of *The Kentucky Postsecondary Education Improvement Act of 1997* and the *2001-06 Action Agenda*. The Council staff recommends the following 2004-06 agency-funded projects:

- A \$432.7 million agency bond pool in 2004-05. This allows authorization and completion of each institution's priorities for agency bond funded capital projects. Projects eligible for funding from this pool are listed in Table C-3. The specific projects to be funded would be approved by the Council during the biennium and recommended to the secretary of the Finance and Administration Cabinet. (Attachment B-4a.)
- 2004-05 authorization for 591 agency-funded projects totaling \$1.6 billion to address life safety, major maintenance, equipment acquisitions, infrastructure repair and upgrades, and new construction. These projects

would be funded using agency, federal, private, or other non-state funds. These projects are shown in Table C-4.

- 2004-05 authorization for nine agency-funded projects totaling \$80 million to improve energy efficiency in campus buildings including energy equipment acquisitions and infrastructure repair and upgrades. These projects would be funded using third party financing techniques available through the Finance and Administration Cabinet and private contractors or other non-state funds. These projects are shown in Table C-5.
- The Council and Kentucky State University request reauthorization of the current allocation of agency bond authority (\$9.9 million) and current year authorization of \$569,160 state debt service and \$484,840 agency debt service to issue bonds for the renovation of the Young Hall Dormitory. This partnership is explained in Attachment C-6.

Table C-1

**2004-06 Capital Projects Recommendation  
Capital Renewal and Replacement Pool  
Projects Eligible for Funding**

<b>Institution and Project Title</b>	<b>Project Scope</b>
<b>Eastern Kentucky University</b>	
Minor Projects Pool	\$ 3,975,000
<b>Kentucky State University</b>	
Roof Repairs & Replacement (Exum/Combs/Bell Gym)	\$ 900,000
Bradford Hall Structural Repairs	900,000
Minor Projects Pool	5,970,000
KSU Subtotal	<u>\$ 7,770,000</u>
<b>Kentucky Community and Technical College System</b>	
Minor Projects Pool	\$73,125,000
Renov. HVAC System, SE Campus, Owensboro C&TC	625,000
Install Sprinkler Systems, West KY C&TC	600,000
Repairs to Allied Health Bldg., West KY C&TC	750,000
Install Fiber Optics, Allied Health Bldg., West KY C&TC	558,000
Renov. HVAC System - Strunk Bldg., Somerset CC	894,000
Renov. HVAC System - Meece Bldg., Somerset CC	859,000
KCTCS Subtotal	<u>\$ 77,411,000</u>
<b>Morehead State University</b>	
Minor Projects Pool	\$11,745,000
<b>Murray State University</b>	
Minor Projects Pool	\$19,084,000
Upgrade Campus Electrical Distribution System	8,453,000
Repair Stewart Stadium - Structural	2,000,000
MuSU Subtotal	<u>\$21,084,000</u>
<b>Northern Kentucky University</b>	
Replace Air Handlers	\$875,000
Replace Power Distribution Infrastructure	3,700,000
Repair Structure of Landrum Hall Phase II	900,000
Replace Elevators Landrum/Lucas Admin	900,000
Minor Projects Pool	2,300,000
NKU Subtotal	<u>\$8,675,000</u>
<b>University of Kentucky</b>	
Improve Life Safety Project Pool	\$5,290,000
Capital Renewal Pool	15,000,000

**Table C-1**

**2004-06 Capital Projects Recommendation  
Capital Renewal and Replacement Pool  
Projects Eligible for Funding**

<b>Institution and Project Title</b>	<b>Project Scope</b>
Upgrade Fume Hoods TH Morgan - Life Safety	2,738,000
Upgrade Fume Hoods Research #3 - Life Safety	4,825,000
Upgrade HVAC - CAER Ph. III - Life Safety	475,000
Upgrade Pharm. Fume Hood I-Life Safety	4,300,000
Improve Indoor Air Quality - Phase I - Life Safety	500,000
Abate Asbestos - Lexington Campus II - Life Safety	500,000
Improve Accessibility Project Pool	437,000
Replace Steam And Condensate Pipe	5,000,000
Replace Air Handling Units in Research #1	950,000
Upgrade Elevator Controls in Nursing Building	600,000
Fit-Up 3rd Floor Lab Zone in BBSRB	8,000,000
Fit-UP 4th Floor in BBSRB	11,000,000
Improve Central Heating Plant	4,000,000
Install Chilled Water Pipe-Clg2 To Pit	1,500,000
Replace Mathews Building HVAC	1,000,000
Replace HVAC Slone Building	2,320,000
Replace HVAC Kastle Hall	3,000,000
Replace Fine Arts HVAC	3,000,000
Expand Plant Capacity/Infrastructure	23,000,000
Replace Steam Line Medical Center Heating - Hospital Drive Pit #2	1,180,000
Replace Steam Line Lime Tunnel - Main Gate Pit	1,690,000
Replace Steam Line Lime Tunnel - Patterson Office Tower Tunnel	730,000
Install Steam Line BBSRB - Old Main Gate Pit	4,130,000
Replace Steam Line Main Gate Pit-Anderson Pit	1,530,000
Replace Steam Line Kastle - Chemistry/Physics Pit 28	740,000
Install Pollution Controls	1,740,000
Replace Chemistry Physics Ductwork	2,000,000
Replace Central Fire Alarm System	2,500,000
Renovate Substation#2	2,780,000
Improve Storm Sewer Funkhouser	1,103,000
Install Cooling Secondary Pumping	2,500,000
Replace Cooling Plant Chillers	6,000,000
Replace McVey Hall HVAC	3,000,000
UK Subtotal	<u>\$ 129,058,000</u>

**University of Louisville**

**2004-06 Capital Projects Recommendation  
Capital Renewal and Replacement Pool  
Projects Eligible for Funding**

<b>Institution and Project Title</b>	<b>Project Scope</b>
Capital Renewal Pool and Code Improvements	\$ 20,488,000
<b>Western Kentucky University</b>	
Renovate Electrical Distribution - Phase V	3,747,000
Repair Mold and Moisture Damage (life safety)	1,612,000
Minor Projects Pool	8,316,000
Life Safety Improvements, Center for Research and Development	500,000
WKU Subtotal	<u>14,175,000</u>
<b>System Total</b>	<b>294,381,000</b>

**Capital Project Recommendations**  
**State General Fund**  
**2004-06**

	Project Scope	Bonds or State Funds	Agency Bonds or Inst. Funds	Debt Service
<i>Research Space</i>				
<b>University of Kentucky</b>				
	Construct Biological/Pharmaceutical Complex	\$ 71,935,200	\$ 47,956,800	\$ 6,858,000
<b>University of Louisville</b>				
	Health Science Campus Research Facilities Phase III	\$58,800,000	\$39,200,000	\$ 5,606,000
	<i>Total Research Space</i>	\$ 130,735,200	\$ 87,156,800	\$ 12,464,000
<i>New Construction</i>				
<b>KCTCS</b>				
	Ashland TC Regional Postsecondary Education Center Phase I	28,690,000		2,736,000
	Henderson CC Tri-County Technical Center	13,066,000		1,246,000
	Owensboro CC Advanced Technology Center Phase II	24,088,000		2,297,000
	Madisonville CC Technology Building Phase I	12,500,000		1,193,000
	Franklin/Simpson Technology Center	11,984,000		1,143,000
	<i>Total KCTCS</i>	\$90,328,000		\$8,615,000
<b>UK Lexington Community College</b>				
	Construct LCC Classroom/Class Lab Building	28,855,000		2,751,000
<b>Eastern Kentucky University</b>				
	Construct Business/Technology Center Phase II	32,850,000		3,132,000
	Construct Manchester Postsecondary Ed. Center Phase I	10,000,000		953,000
<b>Morehead State University</b>				
	Construct MSU-NASA Space Science Center	12,200,000		1,164,000
	<i>Total new Construction</i>	\$359,275,000	\$272,118,200	\$25,947,000
<b>KCTCS - Renovations and Repairs</b>				
	Prestonsburg/Mayo Renovate District Facilities	5,626,000	5,626,000	539,000
	Somerset Renovate Aircraft Maintenance Lab	1,468,000	1,468,000	145,000
	<i>KCTCS Renovation Subtotal</i>	\$ 7,094,000	\$ 7,094,000	\$ 684,000



**Capital Project Recommendations**  
**State General Fund**  
**2004-06**

	<u>Project Scope</u>	<u>Bonds or State Funds</u>	<u>Agency Bonds or Inst. Funds</u>	<u>Debt Service</u>
<i>Comprehensive Universities - Renovation and Repairs</i>				
<b>Kentucky State University</b>				
Renovate Hathaway Hall Classroom Building	11,200,000	11,200,000		1,068,000
<b>Murray State University</b>				
Blackburn Science Replacement - Phase II	22,250,000	22,250,000		2,121,000
<b>Northern Kentucky University</b>				
Old Science Building Renovation	17,700,000	17,700,000		1,688,000
<b>Western Kentucky University</b>				
Thompson Sc. Complex Replacement/Renovation - Phase II	33,000,000	33,000,000		3,146,000
<b>Total Renovations and Repairs</b>	<b>\$ 91,244,000</b>	<b>\$ 91,244,000</b>	<b>\$</b>	<b>\$ 8,707,000</b>
<b>Systemwide Capital Pools (Matching)</b>				
Capital Renewal and Maintenance Pool (matching)	15,000,000	15,000,000		1,431,000
<b>System Total</b>	<b>\$465,519,000</b>	<b>\$378,362,200</b>	<b>\$ 87,156,800</b>	<b>\$36,085,000</b>

**2004-06 Capital Projects Recommendation  
Agency Bond Pool  
Projects Eligible for Funding**

<b>Institution and Project Title</b>	<b>Project Scope</b>	<b>Agency Bonds</b>	<b>Other Funds</b>
<b>Eastern Kentucky University</b>			
Construct New Intramural Fields	\$ 2,300,000	\$ 2,300,000	
Renovate Residence Hall	7,500,000	7,500,000	
EKU Subtotal	<u>\$ 9,800,000</u>	<u>\$9,800,000</u>	<u>\$ -</u>
<b>Kentucky State University</b>			
Construct New Residence Hall	<u>\$20,000,000</u>	<u>\$20,000,000</u>	<u>\$ -</u>
<b>Morehead State University</b>			
Construct Parking Structure	\$6,500,000	\$6,500,000	
Comply with ADA - Auxiliary Facilities	1,200,000	1,200,000	
Construct Family Housing Complexes - Phase II	4,700,000	4,700,000	
MoSU Subtotal	<u>\$12,400,000</u>	<u>\$12,400,000</u>	<u>\$ -</u>
<b>Murray State University</b>			
Construct New Dormitories	\$10,154,000	\$10,154,000	
Repair Winslow Cafeteria Exterior	1,000,000	1,000,000	
Replace Richmond Hall	8,000,000	8,000,000	
Replace Clark Hall	8,000,000	8,000,000	
Replace Franklin Hall	8,000,000	8,000,000	
Replace Clark Hall water piping, fixtures, etc.	1,000,000	1,000,000	
Replace Franklin Hall water piping, fixtures, etc.	1,000,000	1,000,000	
Replace Springer Hall water piping, fixtures, etc.	1,250,000	1,250,000	
Replace White Hall domestic water piping	500,000	500,000	
Replace Richmond Hall water piping, fixtures, etc.	1,000,000	1,000,000	
Replace Regents Hall domestic water piping	500,000	500,000	
Upgrade College Courts Electrical System	1,200,000	1,200,000	
Renovate College Courts	3,636,000	3,636,000	
Renovate College Courts Interiors (12 Buildings)	2,000,000	2,000,000	
Remove Elizabeth Hall Asbestos Ceiling	450,000	450,000	
Remove Hester Hall Asbestos Ceiling	450,000	450,000	
MuSU Subtotal	<u>\$48,140,000</u>	<u>\$48,140,000</u>	<u>-</u>
<b>Northern Kentucky University</b>			
Construct New Student Union	\$32,800,000	\$28,000,000	\$ 4,800,000
Construct New Parking Deck Phase II	9,700,000	9,700,000	
NKU Subtotal	<u>\$42,500,000</u>	<u>\$37,700,000</u>	<u>\$ 4,800,000</u>

**2004-06 Capital Projects Recommendation**  
**Agency Bond Pool**  
**Projects Eligible for Funding**

<b>Institution and Project Title</b>	<b>Project Scope</b>	<b>Agency Bonds</b>	<b>Other Funds</b>
<b>University of Kentucky and Lexington Community College</b>			
Construct Biological/Pharmaceutical Complex	\$119,892,000	\$47,956,800	\$71,935,200
Renovate Outpatient Clinic in Kentucky Clinic	2,237,000	2,237,000	
Construct New Housing	49,991,000	49,991,000	
Construct Parking Structure - Central Campus	17,000,000	17,000,000	
Construct Parking Structure - North Campus	25,248,000	25,248,000	
Construct New Alumni Center	15,250,000	15,250,000	
Renovate School of Public Health Building	3,751,000	3,751,000	
Expand Patient Parking in Structure #3	7,000,000	7,000,000	
Renovate Imaging Center in Kentucky Clinic	2,000,000	2,000,000	
Renovate Research Labs in Medical Center III	1,000,000	1,000,000	
Upgrade Electrical Substation	4,000,000	4,000,000	
Renovate Research Labs in Medical Center, IV	1,250,000	1,250,000	
Renovate Research Space Medical Center, I	1,500,000	1,500,000	
Install HVAC in Keeneland Hall	5,109,000	5,109,000	
Replace Holmes Elevator	641,000	641,000	
Install Commons Elevator	400,000	400,000	
UK Subtotal	<u>\$256,269,000</u>	<u>\$184,333,800</u>	<u>\$0</u>
<b>University of Louisville</b>			
Construct HSC Research Facility - Phase III	\$ 98,000,000	\$39,200,000	\$58,800,000
Renovate - Shelby Campus Infrastructure	8,740,000	8,740,000	
Purchase - Third Street & Central Avenue Property	3,100,000	3,100,000	
Construct - Baseball Stadium	5,003,000	5,003,000	
Construct - Basketball Practice Fac. & Office Renovation	8,500,000	8,500,000	
Purchase - Support Service Land & Buildings (Northeast Quadrant-Belk)	4,632,000	4,632,000	
Renovate - University Housing Capital Renewal, Phase I	3,210,000	3,210,000	
Construct HSC Parking Structure II	14,440,000	14,440,000	
UofL Subtotal	<u>\$145,625,000</u>	<u>\$86,825,000</u>	<u>\$58,800,000</u>
<b>Western Kentucky University</b>			
Design/Renovate Downing University Center	\$ 7,000,000	\$ 7,000,000	
Design/Construct Student Health Services Building	4,000,000	4,000,000	
Design/Renovate and Expand South Campus	11,500,000	11,500,000	
Renovate Schneider Hall	11,000,000	11,000,000	
WKU Subtotal	<u>\$ 33,500,000</u>	<u>\$ 33,500,000</u>	<u>\$0</u>
<b>System Total</b>	<b>\$ 568,234,000</b>	<b>\$ 432,698,800</b>	<b>\$ 63,600,000</b>

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

Institution/Institution Priority / Project Title		Project Scope	
Eastern Kentucky University			
1	Expand & Renovate Presnell Building	\$	2,000,000
2	Expand Indoor Tennis Facility		1,000,000
3	Purchase of Property		3,000,000
4	Renovate Watts Property (Elmwood)		2,000,000
5	Renovate Student Health Center		2,072,000
6	Purchase Networked Education System Component		6,950,000
7	Upgrade Academic Computing		4,900,000
8	Purchase Minor Projects Equipment		5,000,000
9	Expand, Upgrade Campus Data Network		13,212,000
10	Upgrade Administrative Computing System		3,150,000
11	Purchase Fourier Trans. Nuc. Mag. Res. Spectrometer		135,000
12	Construct E&G Life Safety Begley Elevator		750,000
	<b>EKU Subtotal</b>	<b>\$</b>	<b>44,169,000</b>
Kentucky State University			
1	Alumni Stadium Structural Repair	\$	400,000
2	Expand Cooperative Extension Building (Additional budget)		3,353,000
3	Softball Field		500,000
4	Telecommunication Equipment		1,352,000
5	Bradford Hall Structural Repair		900,000
6	Extend Fiber Network to South Campus		839,000
7	Implement Smart Card Technology		1,165,000
8	Add New Chiller		2,392,000
9	Hill Student Center 3rd Floor Build-out		600,000
	<b>KSU Subtotal</b>	<b>\$</b>	<b>11,501,000</b>
Kentucky Community and Technical College System			
1	System - Information Technology Infrastructure Upgrade	\$	12,000,000
2	System - Master Plan Development & Upgrade		650,000
3	Purchase Diagnostic Medical Sonography Unit, West KY C&TC		110,000
4	Purchase Multi-Engine Aircraft, Somerset CC, South Campus		575,000
5	KCTCS Property Acquisition Pool		1,100,000
6	Const. Area 9 Training Bldg, State Fire & Rescue		537,000
	<b>KCTCS Subtotal</b>	<b>\$</b>	<b>14,972,000</b>
Morehead State University			
1	Expand Life Safety - Claypool-Young Building	\$	500,000
2	Comply with ADA - E&G Facilities		1,700,000
3	Purchase Instructional Tech Initiatives		1,866,000
4	Purchase Instructional & Support Facilities		1,334,000
5	Expand Student Wellness Center		1,000,000
6	Purchase HPLC-Mass Spectrometer		140,000
7	Enhance Network/Infrastructure Resources		2,250,000
8	Enhance Library Automation Resources		750,000
9	Enhance Distance Learning Systems		2,500,000
10	Expand Compressed Video Resources		2,200,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>	
11	Upgrade Instruct. PCs/LANS/Peripherals	2,500,000	
12	Purchase Scanning Electron Microscope	173,000	
13	Upgrade Administrative Office Systems	2,000,000	
14	Reconstruct Central Campus	780,000	
15	Acquire Land Related to Master Plan	2,000,000	
16	Purchase ICP-OES	110,000	
17	Purchase Tour Bus	400,000	
18	Replace Steam Line	500,000	
19	Replace Boiler Tubes	800,000	
20	Replace Bag House	2,000,000	
21	Auxiliary Minor Projects Pool	3,326,000	
<b>MoSU Subtotal</b>		<b>\$</b>	<b>28,829,000</b>
<b>Murray State University</b>			
1	Construct Public Safety Building	\$	1,500,000
2	Replace Breathitt Veterinary Center Incinerator		1,500,000
3	Acquire Land		1,000,000
4	Install 350 Ton Chiller - Regional Special Events Center		580,000
5	Install Baseball Field & Stadium Sidewalk Lights		600,000
6	Replace Campus Communications Infrastructure		2,500,000
7	Replace Telephone Switching System		1,525,000
8	Replace Student Writing & Design Lab Computers		414,000
9	Upgrade campus Network to Gigabit Ethernet System		1,469,000
10	Install Online Centralized Data Access/Warehouse		520,000
11	Establish Centralized Technology Refresh Program		2,600,000
12	Purchase BVC Electron Microscope-Scanning Type		300,000
<b>MuSU Subtotal</b>		<b>\$</b>	<b>14,508,000</b>
<b>Northern Kentucky University</b>			
1	Upgrade AS&T Instructional Space		3,100,000
2	Office Space Lease		225,000
3	Purchase Land (2004-2006)		3,000,000
4	Initiate Phase II of Master Plan		2,200,000
5	Enhance Information Technology Infrastructure		2,700,000
6	Enhance Instructional Information Technology Infrastructure		3,600,000
7	Construct Alumni Center		5,100,000
8	Construct Sports Complex		12,000,000
9	Lease/Purchase Coach Bus		375,000
10	Lease/Purchase Direct Image Platesetter		150,000
11	Lease/Purchase Large Format Color Press		285,000
12	Reconstruct Central Plaza		4,400,000
13	Expand Regents Hall		1,300,000
14	Replace Administrative Application System		3,600,000
15	Instructional Space Lease		350,000
16	Renovate/Expand Landrum Hall - Design		700,000
<b>NKU Subtotal</b>		<b>\$</b>	<b>43,085,000</b>

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
<b>University of Kentucky - University System</b>		
1	Construct Gatton Building Complex - Design	\$4,500,000
2	Construct Law School Building - Design	4,000,000
3	Purchase/Ren Facility for College of Design	16,528,000
4	Construct Digital Technologies Building - Design	3,000,000
5	Expand Plant, Soil and Envir. Sciences Facilities - Design	1,500,000
6	Expand Chemistry Physics Building - Design	5,500,000
7	Expand and Upgrade Livestock Disease Diagnostic Center	8,500,000
8	Construct Bio-Medical Research Building - Design	6,000,000
9	Construct Early Childhood Development & Family Ctr	9,956,000
10	Expand KGS Well Sample and Core Repository	3,759,000
11	Renovate Sections of Funkhouser	4,923,000
12	Construct Student Health Facility	21,801,000
13	Renovate Running Track	2,500,000
14	Lease Purchase High Performance Research Computing	6,500,000
15	Construct Medical Center Education Building	27,000,000
16	Construct Environmental Institute	14,287,000
17	Expand/Renovate Art Museum in Singletary Center	10,075,000
18	Upgrade Pilot-scale Mineral Processing Facility	500,000
19	Lease Purchase Large Scale Computing	3,500,000
20	Renovate the COHR in the Dental Building	1,875,000
21	Expand CAER Laboratories	3,833,000
22	Lease Purchase Enterprise Storage System	1,200,000
23	Purchase Thermal Conductivity/Diffusivity Instrument	210,000
24	Purchase Two CT Scanners	1,300,000
25	Purchase Hydrocarbon Analysis System	120,000
26	Lease Purchase UPS System	800,000
27	Purchase Pharmaceutical Analysis System	200,000
28	Purchase High Resolution Optical Microscope	110,000
29	Purchase Billing/Patient Management Software	1,300,000
30	Upgrade Electric & Lighting in Guignol Theater	890,000
31	Purchase Environmental Scanning Probe Microscope/AFM-STEM	480,000
32	Lease Purchase Campus Infrastructure Upgrade	3,500,000
33	Purchase Laser Ablation Sampling Sys.	200,000
34	Lab Security Systems Project Pool	500,000
35	Purchase PET Scanner	1,500,000
36	Renovate 3rd Floor Little Library	2,200,000
37	Purchase FTIR Microscope w/ mapping	105,000
38	Install Emergency Generator Central Computing Facility	425,000
39	Renovate Medical Center Library	5,500,000
40	Renovate M. I King Library South - 1930 section	17,901,000
41	Purchase Hi-resolution FTIR Imaging System	160,000
42	Acquire Land	15,000,000
43	Renovate Practice Instruction Space in Pharmacy	3,200,000
44	Purchase ESCA-X-ray Photoelectron Micro.	400,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
45	Lease/Purchase Apartment Complex	11,000,000
46	Lease Kentucky Utilities Building	-
47	Replace Air Handling Units Central Computing Facility	510,000
48	Renovate Graduate Education and Research Space in Nursing	1,600,000
49	Renovate Bowman Hall	8,221,000
50	Purchase Pharmaceutical Development Instrument	183,000
51	Renovate Reynolds Building	12,310,000
52	Lease Purchase Pool	2,515,000
53	Lease Purchase Data Warehouse	600,000
54	Purchase Server/Workstation for Software	400,000
55	Renovate Taylor Education Building	17,864,000
56	Purchase Common Room Package	250,000
57	Renovate Kastle Hall	8,269,000
58	Lease Purchase Tape Library	500,000
59	Purchase Open MRI Unit	800,000
60	Expand Grehan Journalism Building	12,740,000
61	Purchase Microscope	165,000
62	Expand Animal Science Research Center - Phase II	23,184,000
63	Renovate Central Computing Facility.	2,360,000
64	Renovate Koinonia House	1,950,000
65	Lease Purchase Fire Suppression Upgrade	850,000
66	Renovate Slone Building	7,993,000
67	Purchase Police Communications Equipment	571,000
68	Purchase Upgraded Integrated Library System	700,000
69	Lease Purchase Network Security Hardware	1,500,000
70	Fit-Up Education Space in Health Science Building	1,000,000
71	Purchase Electron Spin Resonance Instrument	220,000
72	Purchase High Res Transmission Electron Microscope	2,500,000
73	Lease Purchase Telephone Switch Convergence	12,000,000
74	Purchase Digital Media Distribution System	186,000
75	Construct Multi-purpose Room	4,000,000
76	Replace Nutter Football Field	2,000,000
77	Construct Basketball Practice Facility	25,500,000
78	Renovate Commonwealth Stadium Concrete	2,500,000
79	Purchase Studio Recording Equipment	113,000
80	Lease Purchase Unix Cluster	600,000
81	Upgrade Network for Software	250,000
82	Purchase Scanning Electron Microscope	500,000
83	Purchase Garbage Truck Front Loader	175,000
84	Purchase Integrated Imaging System	130,000
85	Purchase DNA Microarray Facility	300,000
86	Lease Purchase Video Switch Expansion	250,000
87	Purchase Three Ultrasound Units	450,000
88	Purchase Focused Ion Beam Machine (FIB)	500,000
89	Replace Law Building Marble Façade	838,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
90	Construct Multi-Care Clinic Building	20,500,000
91	Purchase Network Infrastructure Restructuring	160,000
92	Lease Purchase UPS Upgrade For Communications	800,000
93	Purchase GIS Teaching Lab	160,000
94	Replace Central Facilities Management System	3,000,000
95	Renovate Photography Space in Nursing Bldg	650,000
96	Purchase 500 MHz NMR Spectrometers	1,000,000
97	Purchase Automated DNA Sequencer/Genetic Analyzer	150,000
98	Upgrade the Vivarium in Sanders Brown Building	4,000,000
99	Purchase Redundant Disk Server System	170,000
100	Renovate Labs in Pharmacy Building	4,000,000
101	Purchase High Resolution Laser System	350,000
102	Construct Regional BL3/BL4 Facility	50,000,000
103	Purchase Confocal Microscope	250,000
104	Renovate Facade - Agriculture Building North	4,000,000
105	Purchase Cryoprobe for a 600 MHz NMR	200,000
106	Purchase HPLC	145,000
107	Purchase Instructional Video Studio	250,000
108	Purchase COHR Oral Health Assessment System	150,000
109	Purchase Multi-Collector Inductively Coupled Mass Spectrometer	850,000
110	Purchase Facscan for Flow Cytometry	140,000
111	Purchase Fluorescent Cell Sorter	200,000
112	Renovate Animal Facility in Tobacco & Health Bldg	1,500,000
113	Purchase Laser Photoelectron System	280,000
114	Purchase Dedicated Supercomputer	330,000
115	Replace Master Clock And Bell System	1,500,000
116	Expand Ophthalmology Clinic in Medical Plaza	582,000
117	Purchase Gas-Source Isotope-Ratio Mass Spect	190,000
118	Repair Concrete Phase I General Campus	750,000
119	Renovate Imaging Center, I	530,000
120	Purchase Physiology Workstation	101,000
121	Repair Blacktop Phase I General Campus	750,000
122	Purchase DNA Sequencer	135,000
123	Renovate Education Space in Med Science Bldg	2,300,000
124	Purchase Ultra High Vacuum System	250,000
125	Install Chilled Water Pipe To South Campus	5,000,000
126	Renovate Research Labs in Medical Center, I	750,000
127	Purchase 300 MHz Console	270,000
128	Install Chilled Water Additions General Campus	1,000,000
129	Renovate Imaging Center, II	530,000
130	Purchase Shared Desktop Environment	250,000
131	Install Medical Center Chilled Water Loop	700,000
132	Purchase Thermal Ionization Mass Spectrometer	650,000
133	Replace High Voltage Wiring	775,000
134	Renovate Research Labs in Medical Center, II	900,000



**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
135	Purchase DNA Sequencer	125,000
136	Purchase DNA Chip Analysis System	160,000
137	Purchase HPLC Mass Spectrometer	400,000
138	Purchase Two Digital Radiology Units	1,100,000
139	Purchase Phospho/Fluoro Imager	150,000
140	Purchase Encapsulator	151,000
141	Purchase DNA Sequencer/Genetic Analyzer	110,000
142	Purchase COHR Ultracentrifuge w/ Rotors	150,000
143	Purchase External Systems Monitoring	100,000
144	Replace Three Elevators M. I. King Library South	975,000
145	Purchase Nucleic Acid Workstation	150,000
146	Purchase X-Ray Laue Camera	150,000
147	Renovate Barker Hall	5,060,000
148	Purchase CT Scanners	650,000
149	Purchase Flow Cytometer	108,000
150	Add Centralized Emergency Generator	5,034,000
151	Upgrade Communication Infrastructure, II	450,000
152	Purchase Helium Liquefier and Recovery System	500,000
153	Renovate Teaching Space in Medical Plaza	500,000
154	Purchase Oxyman Open circuit Calorimeter	120,000
155	Renovate Faculty Office Space in Medical Center	500,000
156	Purchase Inductive Coupled Spec Sys	120,000
157	Renovate Foundation Offices in MRISC Building	500,000
158	Purchase Analytical Biosensor	295,000
159	Renovate Breast Clinic in MRISC Building	520,000
160	Purchase DNA Sequencer/Genetic Analyzer	121,000
161	Renovate Vivarium in Central DLAR Facility	2,000,000
162	Purchase Automated Nucleic Acid Extraction & PCR Station	150,000
163	Renovate Vivarium in Combs Building	600,000
164	Purchase Inductive Coupled Plasma Spec.	120,000
165	Renovate Safety & Security Building	1,645,000
166	Renovate DLAR General Offices in Medical Center	400,000
167	Purchase Laser Based Total Image Analysis System	113,000
168	Lease Purchase UK/UofL/Frankfort Research Network	6,000,000
169	Purchase Fluorescence Analyzer	109,000
170	Purchase Mass Spectrometer	200,000
171	Lease Purchase ERP System - reauthorization and scope increase from \$30 million to \$40 million	10,000,000
172	Purchase MRI Scanners	3,600,000
173	Purchase Confocal Microscope	600,000
174	Purchase GC Mass Spectrograph	186,000
175	Purchase Fluorescence Activ. Cell Sorter	220,000
176	Purchase Ultrasound Units	150,000
177	Purchase HPLC/Mass Spectrophotometer System	200,000
178	Purchase High Perf. Liq. Chromatography	131,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
179	Purchase Two Digital Radiology Units	1,100,000
180	Purchase Laser Capture Micro dissection system	126,000
181	Purchase Liquid Filling/Stoppering Line	351,000
182	Purchase NIR Spectrophotometer	125,000
183	Purchase Four PACS Workstations	480,000
184	Purchase Plant/Microbial Growth Chamber	100,000
185	Purchase Semi-Solid Manufacturing Equip.	211,000
186	Purchase Confocal Microscope	400,000
187	Purchase Two Mammography Units	900,000
188	Purchase LCMS instrument system	225,000
189	Purchase Terminal Sterilizing Autoclave	221,000
190	Purchase Virtual Environment Simulator	138,000
191	Purchase Breast Ultrasound Unit	120,000
192	Purchase Transmission Elec. Microscope	250,000
193	Purchase Gas Chromatograph Mass Spect.	110,000
194	Purchase Plot Combine	130,000
195	Purchase Ovarian Cancer Ultrasound	150,000
196	Purchase Plant/Microbial Growth Chamber	100,000
197	Purchase Digital Radiology Unit	550,000
198	Purchase Quadra pole Mass Spec.	360,000
199	Purchase Two Pacs Workstations	240,000
200	Purchase Combustion Analyzer System	100,000
201	Purchase Radiology Information Center	300,000
202	Purchase Plot Combine	125,000
203	Purchase 3T MR Imager	3,500,000
204	Purchase Plant/Microbial Growth Chamber	100,000
205	Upgrade Scanner System	500,000
206	Purchase DNA Chip Analysis System	160,000
207	Purchase Dual Photon Confocal Microscope	300,000
208	Purchase Bioinformatics Analysis Equipment	150,000
209	Purchase Forage Harvester System	150,000
210	Purchase 4-D Ultrasound Machine	200,000
211	Purchase Plot Combine w/Weighing System	135,000
212	Purchase Confocal Microscope	325,000
213	Purchase 2D-Electrophoresis Set-up	238,000
214	Purchase Transmission Elec. Microscope	375,000
215	Purchase DNA Sequencer	148,000
216	Purchase Fluorescent Scope and Metophase	120,000
217	Purchase Image Analysis System	168,000
218	Purchase High Resolution Phosphor Imager	235,000
219	Purchase Axiovision	100,000
220	Purchase Robotic Platform	120,000
221	Purchase Camera for Transmission/Scanning Elect.	105,000
222	Purchase Fluorescence Activated Cell Sorter	225,000
223	Purchase Combination PET/CAT Scanner	2,525,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
224	Purchase Ultracentrifuge	110,000
225	Purchase Mammography Unit	775,000
226	Purchase Confocal Microscope	500,000
227	Purchase Automated DNA Sequencer	130,000
228	Purchase Mass Spectrometer	450,000
229	Purchase Mass Spectrometer	300,000
230	Purchase Robotics Pipetter System	104,000
231	Purchase DNA Sequencer Machine	125,000
232	Purchase Mouse PET Scanner	385,000
233	Purchase Real Time PCR Machine	165,000
234	Purchase Genesis Workstation	425,000
235	Purchase DNA Sequencer	420,000
236	Purchase Microscope with Imaging	135,000
237	Purchase ABI Prism Sequence Detect. Sys.	110,000
238	Purchase ORCA Robot-on-Rail	100,000
239	Purchase Behav. Monitor. & Analysis Sys.	150,000
240	Purchase Information & Decision Management Station	100,000
241	Purchase Chain Reaction Analyzer	150,000
242	Purchase Digital Nanochip Enzyme Sequencing Machine	500,000
243	Purchase NanoChip System	350,000
244	Purchase Compressed Video-Hazard	141,000
245	Purchase Multiplex QPRC System	100,000
246	Purchase Electron Microscope	325,000
247	Purchase RevPrep Orbit Workstation	100,000
248	Purchase DNA Microarray System	285,000
249	Purchase MegaPix2	300,000
250	Purchase GelPix	300,000
251	Purchase Typhoon Variable Mode Imager	118,000
252	Purchase Remote Television Production Vehicle	595,000
253	Purchase Electro physiologic Analysis System	207,000
254	Purchase DNA Sequencer	420,000
255	Purchase Digital Television Production Equipment	2,900,000
256	Purchase Flow Cytometry Lab Equipment	375,000
257	Renovate Erikson Hall	6,001,000
258	Purchase Fluor. Micro. & Image Analy.	150,000
259	Expand West Kentucky Research and Education Center	4,000,000
260	Purchase Fluorescent Activated Cell Sorter	237,000
261	Renovate Bradley Hall	5,216,000
262	Purchase Digital Education Equipment	1,900,000
263	Purchase Image Analyzer System	206,000
264	Construct Gluck Equine Research Center - Phase II	29,835,000
265	Purchase Inverted Scope	110,000
266	Addition to Lafferty Hall	5,195,000
267	Purchase Laser Confocal Microscope	312,000
268	Upgrade Sound and Lighting for Singletary Center	680,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
269	Purchase Multiphoton Imaging System	505,000
270	Upgrade Communications Infrastructure in Young Library	2,601,000
271	Purchase Multiphoton Scanning Microscope	300,000
272	Construct Horticulture Research & Education Facilities	1,600,000
273	Purchase Open MRI Unit	1,000,000
274	Expand Erikson Hall	18,741,000
275	Purchase Patient Classification Equipment	260,000
276	Purchase Sequence Detection System	110,000
277	Construct UK Paducah Engineering Research Center	1,000,000
278	Purchase Telemedicine Rural Health	416,000
279	Purchase Ultracentrifuge	117,000
280	Construct KY Transportation Center Building	23,199,000
281	Purchase X-ray Defractometer	700,000
282	Purchase Compact Shelving for Med Center Library	550,000
283	Construct University Conference Center	19,605,000
<b>UK-US Subtotal</b>		<b>\$ 697,043,000</b>
<b>University of Kentucky - Hospital</b>		
1	Expand Surgical Services - Hospital	3,531,000
2	Purchase/Lease Ambulance	180,000
3	Create Universal Nursing Unit - Hospital	964,000
4	Purchase Angiography Unit	1,740,000
5	Construct Patient Bed Tower - Hospital	216,774,000
6	Purchase Angiography Unit	1,276,000
7	Upgrade Output Surgical Suite - Hospital	2,500,000
8	Purchase Gamma Knife	2,330,000
9	Modify Nursing Unit XI - Hospital	1,160,000
10	Purchase Cardiac Cath. Image Mgmt. Sys.	957,000
11	Modify Nursing Unit XII - Hospital	3,936,000
12	Purchase Radiation Therapy Unit Upgrade	400,000
13	Construct Imaging Services - Hospital	10,035,000
14	Purchase Biplane Angiography	1,160,000
15	Upgrade Cancer Ctr Radiologic Svcs - Hospital	6,000,000
16	Purchase Nuclear Medicine Camera	1,000,000
17	Construct Cancer Urgent Treatment Fac - Hospital	10,562,000
18	Purchase Epilepsy Monitoring System	500,000
19	Upgrade Surgical Suite - Hospital	2,600,000
20	Purchase Open MRI Unit	1,000,000
21	Construct Radiation Medicine Facility - Hospital	6,047,000
22	Purchase Radiology Information System	800,000
23	Upgrade Transport Systems V - Hospital	800,000
24	Purchase RIS (Quadris) Upgrade	500,000
25	Expand Operating Room Suites - Hospital	3,547,000
26	Purchase C-Arm X-Ray Unit	275,000
27	Expand Parking Structure #4 - Hospital	3,620,000
28	Purchase C-Arm X-Ray Unit	440,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
29	Upgrade Building/Site IV - Hospital	800,000
30	Purchase Cardiac Ultrasound	1,600,000
31	Upgrade HVAC II - Hospital	3,500,000
32	Purchase CR PAC Server	275,000
33	Construct Radiation Med Facility II - Hospital	2,548,000
34	Purchase Electrophysiology Lab	5,800,000
35	Upgrade Utility Systems VI - Hospital	1,500,000
36	Purchase EMG Unit	250,000
37	Upgrade Operating Room Suites II - Hospital	12,162,000
38	Purchase Filmless Radiation System	150,000
39	Replace AHU I - Hospital	15,553,000
40	Purchase Scanning Dosimetry System	100,000
41	Replace AHU I - Roach	1,000,000
42	Purchase MC Treatment Planning	150,000
43	Replace AHU II - Roach	1,000,000
44	Purchase Pneumatic Tube System Upgrade	750,000
45	Construct Cancer Hospice Facility - Hospital	4,000,000
46	Construct Cancer Education Facility - Hospital	2,000,000
47	Purchase Peds TE Echo Unit	200,000
48	Construct Cancer Infusion Suites - Hospital	5,590,000
49	Purchase Peds Echocardiology Probe	200,000
50	Construct Remote Cancer Clinic - Hospital	12,500,000
51	Purchase Angiography Unit	2,000,000
52	Construct Physicians Svcs Facilities - Hospital	2,000,000
53	Upgrade Emergency Services II - Hospital	12,000,000
54	Upgrade Information Systems Svcs - Hospital	3,467,000
55	Purchase Digital Radiographic Unit	1,800,000
56	Upgrade Diagnostic Radiology - Hospital	3,000,000
57	Purchase Nuclear Medicine Upgrade	900,000
58	Renovate Dietetics - Hospital	6,000,000
59	Purchase Web Imaging Product	500,000
60	Upgrade Communications Services	1,000,000
61	Purchase Interoperative CT	1,100,000
62	Construct Business Facility II - Hospital	10,840,000
63	Purchase Adult Echocardiology Unit	200,000
64	Construct Outpt Care Fac II - Hospital	8,148,000
65	Purchase Adult Echocardiology Unit	200,000
66	Construct Outpt Diag/Treat Fac II - Hospital	17,545,000
67	Purchase Peds Echocardiology Probe	200,000
68	Construct Bldg Connectors III - Hospital	3,047,000
69	Purchase Diagnostic Radiology Unit	330,000
70	Construct Primary Care Ctr II - Hospital	13,017,000
71	Purchase Digital Enhancement	1,085,000
72	Construct Patient Care Fac II	11,477,000
73	Purchase Digital Imaging	957,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
74	Upgrade Nutrition Services II - Hospital	1,000,000
75	Purchase EKG Unit	440,000
76	Upgrade Support Services II - Hospital	1,000,000
77	Purchase EKG Unit	400,000
78	Expand Data Systems III - Hospital	700,000
79	Lease Equipment Pool Annually (includes computers, printers, copiers, beds, medical equipment and ambulances)	2,245,000
80	Implement Land Use Plan IV - Hospital	2,500,000
81	Purchase Endoscopic Ultrasound	440,000
82	Upgrade Diagnostic Services XII - Hospital	1,000,000
83	Purchase Endoscopic Video System	300,000
84	Construct Outpatient Services III - Hospital	8,004,000
85	Purchase Endoscopic Video Ultrasound	275,000
86	Upgrade Diagnostic Serv XI - Hospital	1,500,000
87	Purchase Intracardiac Laser	550,000
88	Renovate Medical Records Suite I - Hospital	566,000
89	Purchase Intracardiac Laser	500,000
90	Purchase Telecommunications Equipment III	150,000
91	Purchase Image Guided Surgery System	600,000
92	Purchase Laboratory Analyzer	500,000
93	Purchase OB Ultrasound	350,000
94	Purchase Patient System Enterprise	4,640,000
95	Purchase QuadRIS Upgrade	300,000
96	Purchase Mobile Fluoroscopic Unit	250,000
97	Purchase Rad. Med. Software/System	350,000
98	Purchase C-Arm X-Ray Unit	350,000
99	Purchase Washer	350,000
100	Purchase Mobile Radiology Unit	250,000
101	Purchase Vascular Ultrasound	900,000
102	Purchase MRI Upgrade	500,000
103	Purchase Vascular Ultrasound	300,000
104	Purchase Upgrade for Servers	800,000
105	Purchase Upgrade - HIS Computing Facil.	2,900,000
106	Purchase Surgical C-Arm(ISS)System	650,000
107	Purchase Radiographic Unit	350,000
108	Purchase Radiographic Unit	400,000
109	Purchase Radiology Ultrasound	440,000
110	Purchase Ultrasound Image Management	800,000
110	Purchase Laboratory Analyzer	200,000
111	Purchase Genetic Analyzer	200,000
112	Purchase HDR Brachy Therapy System	350,000
113	Purchase Interoperative MRI	1,500,000
114	Purchase Neuroangiography Unit	1,800,000
115	Purchase Magneencephalogy Unit	2,100,000
116	Purchase Ultrasound Units	840,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
117	Purchase Digital Radiology	1,020,000
118	Purchase Digital Radiology	4,060,000
119	Purchase Fluoroscopy Unit	550,000
120	Purchase Gen. Rad./Fluoroscopic Unit	500,000
121	Purchase Linear Accelerator	2,050,000
122	Purchase Portal Imaging System	200,000
123	Purchase CT Scanner	1,000,000
124	Purchase MR Monitoring Equipment	100,000
125	Purchase Portal Imaging System	250,000
126	Purchase Gen. Rad./Fluoroscopic Unit	550,000
127	Purchase Digital Orbitor Camera	275,000
128	Purchase CT Simulator	1,200,000
129	Purchase Accelerator	1,600,000
130	Purchase Teleradiology	200,000
131	Purchase SPECT System	1,000,000
132	Purchase Mobile MRI	1,500,000
133	Purchase CR Readers	750,000
134	Purchase CR Reader	300,000
135	Purchase ATL Ultrasound	220,000
136	Purchase CT Scanner	1,914,000
137	Purchase CT Simulator	1,160,000
138	Purchase CT/PET Simulator	2,000,000
139	Purchase CT/PET Simulator	4,000,000
140	Purchase Clinical System Enterprise	5,800,000
141	Purchase Computing Infrastructure Update	2,500,000
142	Purchase Data Storage Facility Upgrade	750,000
143	Purchase Dig. Medical Record Expansion	4,640,000
144	Purchase Intraoperative Radiation Therapy	1,300,000
145	Purchase Managed Care Enterprise	1,160,000
146	Purchase Minimally Invasive Room	1,700,000
147	Purchase OR Periop. IS Doc.Syst. Upgrade	150,000
148	Purchase Steam Autoclave	450,000
149	Purchase Sterrad Sterilizer	450,000
150	Purchase Surgical Laser	500,000
151	Purchase Surgical Microscope	500,000
152	Purchase Data Storage Equip & Software I	500,000
153	Purchase Telecommunications Equipment I	250,000
154	Purchase PACS Data Storage Equip & Software	500,000
155	Purchase IS Security Equipment I	150,000
156	Purchase Data Center Printers I	350,000
157	Purchase Data Storage Equip & Software II	250,000
158	Purchase Telecommunications Equipment II	200,000
159	Purchase Mainframe Computer	400,000
160	Purchase IS Security Equipment II	150,000

**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
161	Purchase Data Center Printers II	300,000
162	Purchase Knowledge-based Transcription	450,000
163	Purchase Knowledge-based Charting System	400,000
164	Purchase Consumer Web Interaction System	400,000
165	Purchase Data Storage Equip & Software III	150,000
<b>UK-H Subtotal</b>		<b>\$ 552,364,000</b>
<b>University of Louisville</b>		
1	Purchase - Digital Communications System	2,000,000
2	Purchase - Networking System	3,000,000
3	Purchase - Microcalorimetry System	155,000
4	Purchase - CPU System	460,000
5	Purchase - Endeavor ENCompass, Enhance Existing Voyager Equip.	250,000
6	Purchase - PCs, Printers, Laptops, and Three (3) Digital Scanners	149,000
7	Purchase - MicorPET Scanner	500,000
8	Purchase - Triple Quadrupole High Resolution Mass Spectrometer	400,000
9	Purchase - Radiographic Fluoroscopic X-Ray System	350,000
10	Purchase - Cardiology Equipment to Study Cardiac Regeneration	1,160,000
11	Purchase - High Resolution Mass Spectrometer	858,000
12	Purchase - Upgrade NMR Spectrometer	130,000
13	Purchase - Micro-Raman Spectrometer	200,000
14	Purchase - Laser and Optical Detection System	160,000
15	Purchase - Flip Chip Bonder Aligner	150,000
16	Purchase - Four Temperature and Humidity Control Systems	150,000
17	Purchase - Electronic Research Information System	1,080,000
18	Renovate - Dental Clinics First Floor	8,614,000
19	Construct - Boathouse for Women's Rowing Program	2,676,000
20	Purchase - Artificial Turf - Practice Field	750,000
21	Purchase - FT Raman Spectrometer	180,000
22	Purchase - Circular Dichroism Spectropolarimeter	100,000
23	Purchase - Linux Chemistry Computerization Cluster	150,000
24	Purchase - Gel Blot Image Analysis System	145,000
25	Purchase - Electrophoresis Tandem Mass Spectrometer System	443,000
26	Purchase - Flow Fluorescence - Activated Cell Analyzer	130,000
27	Purchase - Hot Embosser	150,000
28	Purchase - RIE Glass Etch Module	150,000
29	Purchase - Spectrofluorometer for Fluorescence	170,000
30	Purchase - NFS Scanning Optical & Probe Microscope	150,000
31	Purchase - Computer Processing System	2,000,000
32	Purchase - Storage System	1,000,000
33	Purchase - Enterprise Application System	2,000,000
34	Purchase - Electronic Darkroom	193,000



**2004-06 Capital Projects Recommendation  
Restricted Agency Funds**

<b>Institution/Institution Priority / Project Title</b>		<b>Project Scope</b>
35	Purchase - High Resolution SEM with Backscatter Detector	360,000
36	Purchase - Intermediate Voltage Transmission Electron Microscope	500,000
37	Lease - Digital Output System	1,000,000
38	Lease - Visualization System	1,000,000
39	Construct - Residence Hall - 276 Beds, Phase III (Community Park)	10,180,000
40	Renovate - Medical School Tower - 55A, Phase I	3,841,000
41	Expand - Ambulatory Care Building Academic Addition	39,872,000
42	Purchase - Real Estate Near HSC & Renovate Offices	20,500,000
43	Renovate & Purchase - Home of the Innocents Property	7,301,000
44	Purchase - Digital Micro-Luminography System for TEM	120,000
45	Construct - Utilities, Remove Overhead Lines	2,957,000
46	Renovate - Housing - Capital Renewal Pool	2,476,000
47	Renovate - Housing - Code Improvements Pool	709,000
48	Construct - Diversity Center for Excellence	5,434,000
49	Construct - Multipurpose Field House & Practice Facility	12,404,000
	<b>UL Subtotal</b>	<b>\$ 138,807,000</b>
<b>Western Kentucky University</b>		
1	Renovate Central Heat Plant - Phase I	1,273,000
2	Prepare IT Infrastructure	3,000,000
3	Replace Server	880,000
4	Secure Network Log-on System	800,000
5	Renovate Academic Athletics #2 Design	2,000,000
6	Renovate Grise Hall Design	1,398,000
7	Renovate Garrett Conference Center - Design	858,000
8	Central Region Postsecondary Education Center, Phase II Design	1,625,000
9	Expand Campus Network - Phase II	785,000
10	Purchase Digital Television Transmission System	2,888,000
11	Construct Radio & Television Transmission Tower	615,000
12	Acquire Property and Construct Parking Lots	2,000,000
13	Acquire Video Server	800,000
14	Implement Wireless Communication System	2,000,000
15	Acquire Property for Campus Expansion	3,000,000
16	Purchase Two Replacement Buses	399,000
17	Construct Academic-Athletic Performance Center	9,000,000
18	Purchase Buses and Construct Bus Transportation Center	4,000,000
	<b>WKU Subtotal</b>	<b>\$ 37,321,000</b>
	<b>System Total</b>	<b>\$ 1,582,599,000</b>

**2004-06 Capital Projects Recommendation**  
**Guaranteed Energy Savings/Performance Contracting Projects**

<b>Institution and Project Title</b>	<b>Project Scope</b>	<b>Institutional Authority</b>
Eastern Kentucky University	\$10,000,000	\$10,000,000
Kentucky Community and Technical College System	10,000,000	10,000,000
Kentucky State University	5,000,000	5,000,000
Morehead State University	10,000,000	10,000,000
Murray State University	10,000,000	10,000,000
Northern Kentucky University	5,000,000	5,000,000
University of Kentucky and Lexington Community College	10,000,000	10,000,000
University of Louisville	10,000,000	10,000,000
Western Kentucky University	10,000,000	10,000,000
<b>System Total</b>	<b>\$80,000,000</b>	<b>\$80,000,000</b>

**Council on Postsecondary Education  
2004-06 Biennial Budget Request**

**Program:** Partnership with US Department of Education, Office for Civil Rights

**Activity:** Renovation of Young Hall Dormitory (\$9.9 Million)

**Request:** Project Reauthorization and \$569,160 of GF Debt Service

Source of Funds	2003-04	2004-05	2005-06
General Fund	\$0.0	\$569,160	\$0.0
KSU Restricted Funds	\$0.0	\$484,840	

**Description:**

This request is to secure a 54 percent state General Fund match (\$569,160) to pay debt service on \$9,886,000 of agency bonds to complete the renovation of Young Hall dormitory at Kentucky State University. The recommended shared responsibility is based on an analysis of the KSU auxiliary services revenue, revenue potential, and expenses. Maximum debt service, if issued at 7.25 percent with debt service reserve, is \$1,054,000 (Gen. Fund \$569,160; KSU \$484,840).

Housing and Dining Series F will be retired in FY 2006. Approximately \$380,000 of annual debt service will become available in FY 2006 to apply toward a new H&D bond issue to renovate Young Hall dormitory. The then uncommitted revenue (\$380,000) can be used to reduce the Commonwealth's share of the new debt service amount.

The Council is assigned responsibility for implementing a Partnership Agreement with the U. S. Department of Education, Office for Civil Rights. The OCR, through partnerships or consent decrees with the 19 Adams States, addresses issues related to the elimination of remnants of *de jure* segregation policies and enhancement of historically black colleges and universities. Kentucky entered into a Desegregation Plan (five years) with the OCR in 1982, and because the OCR continued its oversight after the 1982 plan ended, Kentucky entered into a partnership in 1999. The calendar timeline of the partnership ended December 31, 2002.

The Commonwealth agreed that it would provide KSU the bond authority to renovate Young Hall dormitory as an enhancement measure. In September 2000, the Council allocated agency bond authority to KSU to renovate the Young Hall Dormitory; however, the university requested that the renovation be postponed until the 2002-04 biennium because it had insufficient resources to pay the debt service on the bonds. The Commonwealth agreed to the KSU request. In May 2003, the Council again allocated agency bond authority to KSU to renovate the Young Hall dormitory. The university again asserted that it lacked the resources to pay the full debt service to issue \$9.9 million in agency bonds.

Even though the partnership ended December 31, 2002, the commitments of the Commonwealth have not been satisfied, therefore, Kentucky remains under the oversight of the OCR.



Agency Operations,  
KYVU/KYVL, &  
Pass-Through Programs

Attachment D



**Council on Postsecondary Education  
November 3, 2003**

**2004-06 Biennial Budget Request  
Agency Operations, KYVU/KYVL, &  
Pass-Through Programs**

The Council staff recommends a state appropriation request of \$16,867,300 in FY 2004-05 and \$18,313,600 in FY 2005-06 for agency operations, the KYVU and KYVL, and pass-through programs.

**General**

The 2004-06 budget instructions require all agencies to organize their budget requests into four categories - baseline, defined calculations, growth, and expansion.

The baseline budget includes only those positions that were filled as of August 1, 2003; the baseline General Fund appropriation for FY 2004-05 and FY 2005-06 may not exceed the FY 2003-04 appropriation. All vacant positions must be requested in growth or expansion.

Defined calculations are used where some external requirement results in a known, or defined, calculation. Growth relates to requests where additional funds are necessary to continue the same service levels or where the number of clients served has increased. Expansion requests are for additional or new service levels.

**Agency Operations**

The agency operations budget recommendation contains three of the four categories: baseline, defined calculations, and growth. The assumption for the baseline request is that the state appropriation for an agency will be reduced to the level required to support only those positions that are filled on August 1, 2003, and associated operating and capital expenses. Within the baseline calculation, seven budgeted positions are not included because those positions were vacant at the time the personnel "snapshot" was taken, August 1, 2003. The budget guidelines allow the agency to request restoration of the vacant positions in one of the three categories. After some discussion with the Governor's Office for Policy and Management, the Council requested restoration of seven vacant positions in the growth budget category.

The Council staff recommends that \$5,765,100 in FY 2004-05 and \$6,256,900 in FY 2005-06 be requested. These amounts represent a \$342,900 increase in FY 2004-05 over the FY 2003-04 appropriation, and an additional \$491,800 in FY 2005-06 over the previous year.

**Kentucky Virtual University/ Kentucky Virtual Library**

The baseline calculations for the Kentucky Virtual University/Virtual Library include 12 filled positions. There were no vacant positions on August 1, 2003, with the result that the full complement of positions is included within the FY 2003-04 funding levels for FY 2004-05 and FY 2005-06.

KRS 164.800 provides that the Council will coordinate the Kentucky Virtual University. A Distance Learning Advisory Committee was established by statute to provide institutional input into the development and policy aspects of the KYVU and KYVL. The KYVU will provide "any place, any time" education for Kentucky postsecondary education students. The KYVU is a value-added provider of services including: on-line registration for students, multiple course management systems for the development and delivery of instructional programs, billing services, assistance to local school districts in test administration, assistance to the adult education unit in registration of students and faculty, and billing assistance for faculty.

The Kentucky Virtual Library has been an unqualified success with over 600,000 hits per month on the KYVL Website. The public and independent institutions, along with the Kentucky Department of Education and the Kentucky Department for Libraries and Archives, formed a consortium that provides all citizens of Kentucky broad access to 34 electronic databases, allows for postsecondary education institutions and other libraries to share a common library management system, and extends a ground-courier service for delivery of instructional and library materials across the Commonwealth.

The Council staff recommends an additional \$250,000 in FY 2004-05 for expansion of the electronic databases and continuation of that amount in FY 2005-06.

**Adult Education Program**

The adult education budget request is contained in two sections of the agency's request - the central office operating budget is located here and the program portion of the budget is located in the Adult Education Incentive Funding Program.

The baseline calculations for the Adult Education program include 23 filled positions. There were five vacant positions on August 1, 2003, with the result



that five vacant positions must be requested as growth in the budget request. Two of the five positions subsequently were filled. The Council staff recommends a total request for adult education central office budget of \$2,154,300 in FY 2004-05 and \$2,287,300 in FY 2005-06. These amounts represent a \$170,900 increase in FY 2004-05 over the FY 2003-04 appropriation, and an additional \$133,000 in FY 2005-06 over the previous year.

An expansion request is included in the adult education incentive funding program, described in section VI. in Attachment B.

### **Pass-Through Programs**

The SREB contract spaces pass-through program provides 142 seats in veterinary medicine at Auburn University and Tuskegee University and 43 spaces in optometry at Southern College of Optometry in Tennessee and the University of Alabama and Indiana University optometry schools. SREB has provided the Council with estimated rates for these spaces in 2004-06. The staff recommends an additional \$221,300 in FY 2004-05 over the FY 2003-04 allocation, and an additional \$327,600 in FY 2005-06 over the previous year to maintain the current veterinary and optometry seats at the adjusted tuition rates.

The 2002-04 Executive Budget includes \$493,900 in restricted agency funds from interest earnings on various trust funds to support the following pass-through activities for each fiscal year. For FY 2005-06, Council staff recommends \$493,900 in state General Funds to replace the restricted agency funds.

	FY 2003-04
Governor's Minority Student College Preparation Program	\$ 105,500
SREB Doctoral Scholars	188,400
Local P-16 Councils	100,000
Ky. Early Math Testing Program	<u>100,000</u>
Total	\$ 493,900

The Governor's Minority Student College Preparation Program (GMSCPP) was established in 1986 to provide academic enrichment activities for middle and junior high school students; to encourage them to stay in school and to enter college; to make young African-American students aware of the benefits and value of college and make them more likely to consider college as an achievable option; and to prepare these students to be successful in college-level work.

The program places emphasis on early intervention in an attempt to overcome problems at the high school level that tend to reduce the pool of minorities interested in attending and prepared to do well in college.

The SREB Doctoral Scholars Program is a cooperative interstate venture that supports and encourages minority students to pursue doctoral degrees. The program seeks to increase the number of minority faculty members employed as college faculty by increasing the available pool of minority candidates. Students are provided scholarships and other financial support to attend institutions throughout the southern region and in some mid-west states as well. The SREB program is a part of a national effort; similar programs exist in the northeast and the west.

In March 2001, the state P-16 (pre-kindergarten through baccalaureate) Council invited the leadership of public and independent colleges and universities, school districts, adult education providers, early childhood educators, and civic organizations (including business and labor) to form local councils to create a seamless system of education meeting the needs of students and the Commonwealth. The local P-16 Council initiative brings the agenda of the state P-16 to the level of individual institutions and school districts. Local councils address issues of teacher quality and supply, alignment of high school and adult education with postsecondary and workforce expectations, and greater integration between and among all sectors of education in Kentucky. The program has supported the formation and work of more than 15 local councils since its inception, serving more than half of the counties in Kentucky. It has received national recognition and Kentucky has been invited to assist other states in their local P-16 council efforts.

The Kentucky Early Mathematics Testing Program is a statewide diagnostic test to help high school students identify academic deficiencies that they should correct before entering college. Administered by Northern Kentucky University with on-line capacity through the University of Kentucky, it is offered each fall and spring to all Kentucky students free of charge and on a volunteer basis. Students receive an immediate on-line letter reporting their test score, an estimate of their level of mathematical preparation for college, and advice about the importance of taking additional mathematics while still in high school. KEMTP staff is working with the Council to provide on-line math tutoring to students through the KYVU. Teachers can analyze their students' scores and use them to improve student performance. The program is designed to reduce the need for postsecondary remedial placement in mathematics.

The 2004-06 budget recommendation includes restricted agency funds for these activities in FY 2004-05, but requests expansion dollars to replace those restricted agency funds in FY 2005-06. If expansion funds are not approved, the activities supported with these funds will be discontinued in FY 2005-06.

# Funding Distribution Policy



Council on Postsecondary Education  
November 3, 2003

2004-06 Funding Distribution Policy  
(Institutional Base Funding)

*The following recommended policy establishes a set of principles that may be used to guide the Governor and legislature in the allocation or reduction of funds to the institutions in special circumstances that may occur after the Council has adopted its biennial budget recommendation.*

Action: The staff recommends that the Council approve the Funding Distribution Policy as a companion to the *Points of Consensus* for the 2004-06 biennium. These principles advise the legislature in establishing priorities for institutional base funding in cases where funding reductions are necessary or when increases are less than the Council's budget recommendation.

The *Points of Consensus* between the president of the Council and the institutional presidents was established to guide the development of the biennial budget recommendation. The 2003 *Points of Consensus* was approved by the Council in February 2003 and signed by the president of the Council and the presidents of the institutions. To date, the *Points of Consensus* has only been used to inform the development of the Council's recommendation to the Governor and the General Assembly. However, the funding situations surrounding the 2002-04 biennium, such as budget cuts and less than full funding of the Council recommendation and the use of a different allocation strategy by the legislature, prompted the Council staff and the institutions to agree that budget priorities and a set of principles and procedures should be developed to inform funding decisions made in these special circumstances.

A committee of institutional representatives, Legislative Research Commission staff, Office of the State Budget Director staff, and Council staff was appointed to review actual funding distribution in the 2002-04 biennium and to develop methodologies to guide the allocation of funds in similar circumstances in the future. The committee and other institutional representatives completed procedures that operationalize these principles using several methodologies. The general principles provided herein were presented to the Strategic Committee on Postsecondary Education (SCOPE) on September 8. The resulting recommendation includes principles to be adopted and used as a companion to the 2003 *Points of Consensus*. The proposed budget priorities and principles are:

- The funding distribution principles are to be used to allocate "new" money to institutions if the Council's recommended funding levels cannot be fulfilled or if the state appropriation to postsecondary education must be reduced.
- The general priorities for distribution will be as follows: (1) base adjustments, 2) common percentage increase up to the current services calculation, and 3) benchmark equity.

### **General Application of the Principles**

- The principles are consistent with the 2003 *Points of Consensus*.
- The principles and procedures recognize that: 1) unless funding for the postsecondary education system is reduced, institutional bases (nominal dollar base in the current year) are to be protected and 2) every institution will receive some nominal base increase, if possible.

Based on these principles, the Council staff, with institutional representatives, refined the attached detailed procedures for an operational model incorporating three methodologies:

1. Increase Allocation Method: allocates new state funds to the institutions when the actual appropriation is less than the Council recommendation.
2. Increase Following a Reduction Method: allocates new state funds following a reduction in state appropriations during the same biennium.
3. Reduction Method: allocates reduction in state appropriations.

As mentioned earlier, the model described above concerns institutional base budgets and how to reduce or distribute less than full CPE recommended funding. In addition, the Council staff will develop an overall more comprehensive Funding Distribution Policy (Postsecondary Education), which will incorporate the entire postsecondary education budget recommendation (of which institutional base funding is only one component). This model will not be complete in time to present to the Council in November, but will be completed by December 2003. The Executive Committee of the Council will be asked to review and approve the model at a specially called meeting in late November or early December (all information regarding the model will be emailed to all Council members in advance of the meeting). The comprehensive model will function to advise the Governor and the legislature regarding allocation of limited funds (or possibly a reduction in appropriations) to all components of postsecondary education, including institutional base funding, trust funds, capital outlay, Council budget, etc.

Staff preparation by Sandra Woodley and Sherron Jackson

## CPE State Funding Distribution Methods

The Council on Postsecondary Education recommends the following funding distribution methods to the Governor and the General Assembly if the CPE's recommended funding levels cannot be fulfilled or if the state appropriation to postsecondary education must be reduced. Three allocation methods are presented for different situations. In addition, even though the methodologies do not specifically address allocations or reductions to the various incentive trust funds, these methodologies which are intended to address base funding issues do not preclude such reductions or reallocations. Additionally, in the budget recommendation process, all institutions should be eligible for incentive funds from at least one trust fund.

- (1) **Increase Allocation Method**: allocates new state funds to the institutions when the actual appropriation is less than the Council recommendation.
- (2) **Increase Following a Reduction Method**: allocates new state funds following a reduction in state appropriations during the same biennium.
- (3) **Reduction Method**: allocates reduction in state appropriations.

### (1) Increase Allocation Method

This method is designed to distribute increases in state appropriations to the institutions among base adjustments, maintenance and operating costs for new facilities (M&O), current services increases, and benchmark equity. The method may be used to distribute small or large amounts of new state appropriations, up to the total amount of the CPE biennial budget request.

The following principles, consistent with the *Points of Consensus*, were used to develop this methodology:

- Unless total funding for the postsecondary education system is reduced, the current annual nominal dollar state appropriation base for each institution will be maintained.
- If a state appropriation increase follows a state appropriation reduction within the same biennium, the reductions to each institution will be restored on a pro rata basis to the extent possible (see Increase Following Reduction Method below).
- If the total increase exceeds the amount necessary to restore any previous reductions within the biennium and base adjustments (including, but not limited to, increases in debt service, the Quality Charity Care Trust (the University of Louisville Hospital contract), and M&O), each institution will receive an increase in base operating appropriations (current services and, if warranted, benchmark equity funds).
- An increase in state appropriations will be distributed as follows until available funds are exhausted.

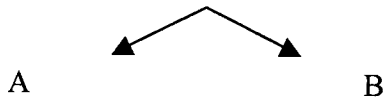
Total Increase  
Allocation of increase in state appropriations in the following priority order:



**Base adjustments** including increases in debt service, hospital contract, M&O for new facilities, and other specifically identified programs. If additional funds are available, then



**Proportional base increase** up to one-half of the current services increase as provided in the biennial state budget instructions or CPE's recommended current services increase, whichever is greater. If additional funds are available, then



**A. Remaining proportional base increase**

If the total increase is less than 80 percent of the CPE recommendation, all of the remaining funds go to benchmark equity (letter B). If the total increase is 80 percent or greater of the CPE recommendation, then up to one-third of the remaining funds will be used for an additional proportional increase in the state appropriation base (net of debt service and the UofL hospital contract) for each institution, up to the current services increase as provided in the biennial state budget instructions or CPE's recommended current services increase, whichever is greater.

**B. Benchmark equity**

At least two-thirds of the remaining funds will be allocated to the institutions below the benchmark funding objective. Funds will be allocated so that the institutions farthest below their benchmark funding objectives will receive proportionately larger increases than institutions closer to their benchmark funding objectives. This portion of the procedure would use less than two-thirds of the remaining funds only if all institutions have achieved their benchmark funding objectives.



## **(2) Increase Following Reduction Method**

This allocation method is based on the following principles:

- If the state appropriation increase is less than or equal to a previous state appropriation reduction within the same biennium, the reductions to each institution will be restored on a pro rata basis to the extent possible.
- If the state appropriation increase exceeds the previous state appropriation reduction, the reductions to each institution will be restored and the remaining net increase will be allocated based on the Increase in State Appropriations Allocation Method described above.

## **(3) Reduction Allocation Method:**

The State Appropriation Reduction Allocation Method is designed to allocate state appropriation reductions among the institutions. This procedure may be used: 1) to allocate state appropriation reductions that might occur during a fiscal year subsequent to a state appropriation increase being provided for that year, or 2) to allocate a state appropriation reduction that results in the state appropriation for the institutions being reduced to a level lower than the previous fiscal year total state appropriation for the institutions. Each of these situations is addressed below.

### *State Appropriation Reduction Following a State Appropriation Increase:*

This section of the method is based on the following principles:

- Unless the state appropriation reduction exceeds the total state appropriation increase for current services and benchmark equity funding for the fiscal year, the previous year nominal dollar state appropriation base for each institution will be maintained.
- If the state appropriation reduction is less than the total state appropriation increase for current services and benchmark equity funding for the fiscal year, the state appropriation reduction will be implemented so that the net state appropriation increase for the fiscal year (the total state appropriation increase minus the state appropriation reduction) will be allocated based on the principles in the Increase in State Appropriations Allocation Method described above.

### *State Appropriation Reduction to a Level Lower Than the Previous Fiscal Year State Appropriation:*

This section of the procedure is based on the following principles:

- Available trust funds (except the student financial aid trust fund) and funding programs may be reduced on a basis proportionate to their share of the total postsecondary appropriation.

- The first priority for reduction will be increases in current services and benchmark equity funding, if any, down to the prior year nominal state appropriation base for each institution.
- Reduce each mandated program by the same percentage as the systemwide reduction (state appropriations net of debt service and the UofL hospital contract).
- If additional reduction is necessary, the next priority for reduction will be an across-the-board reduction of each institution's state appropriation net of debt service, the Quality Charity Care Trust (the University of Louisville Hospital contract), and mandated programs (previously cut) up to one-half of the current services increase as provided in the biennial state budget instructions or CPE's recommended current services increase, whichever is greater.
- If additional reduction is necessary, the remaining reduction will be allocated among institutions so that the institutions closest to or above their benchmark funding objectives will receive proportionately larger reductions than institutions a greater distance from their benchmark funding objectives.